

**MARSHALL COUNTY SCHOOL DISTRICT**

**BASIC FINANCIAL STATEMENTS,  
SUPPLEMENTARY INFORMATION,  
AND INDEPENDENT AUDITOR'S REPORTS**

Year ended June 30, 2014

**MARSHALL COUNTY SCHOOL DISTRICT**  
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# KIM HAM

## CERTIFIED PUBLIC ACCOUNTANT

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MEMBER,  
American Institute  
of CPA's

♦  
MEMBER,  
Kentucky Society  
of CPA's

### INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee for School District Audits  
and Members of the Board of Education  
Marshall County School District  
Benton, Kentucky

#### Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Marshall County School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the provisions of *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the Kentucky Public School Districts' Independent Auditor's Contract, including *Appendix I to the Independent Auditor's Contract – Audit Extension Request* and *Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Report*. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

## ***Opinions***

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Marshall County School District as of June 30, 2014 and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 8 and 37 through 38, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Marshall County School District's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, I have also issued my report dated October 30, 2014, on my consideration of the Marshall County School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Marshall County School District's internal control over financial reporting and compliance.

A handwritten signature in dark ink, appearing to read "Kim Ham". The signature is written in a cursive, somewhat stylized font.

Benton, Kentucky  
October 30, 2014

**MARSHALL COUNTY PUBLIC SCHOOL DISTRICT – BENTON, KY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**YEAR ENDED JUNE 30, 2014**

As management of the Marshall County School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

**FINANCIAL HIGHLIGHTS**

- The beginning balance of all funds (general, special revenue, capital outlay, building, construction and food service) for the District totaled \$5,225,914.44. The combination of "all funds" yielded \$45,927,766.51 in revenue (not including beginning balances), which primarily consisted of the state program (SEEK), property, occupational, utilities, in lieu and motor vehicle taxes. The combination of "all funds" yielded \$44,955,376.82 in expenditures. The ending balance for all funds was \$6,198,304.13.
- Property assessments generated on July 25, 2013 and then certified to the District Board of Education by the Commissioner showed total real and personal property valuation at \$2,048,898,896 and motor vehicle valuation at \$262,205,328. The real estate and personal property rate approved by the Marshall County Board of Education was 47.1 cents for real estate and tangible. Real Estate/Tangible rates represented the 4% increase option as stated in the Kentucky Department of Education's "Real Estate and Personal Property Tax Calculation" plus 0.3 cents due to exonerations plus an additional recallable nickel tax (41.0+.3+5.8=47.1). Note: 5.8 cents is required to produce the 5 cent equivalent. The additional recallable nickel tax (above the traditional tax necessary for participation in the SFCC and FSPK programs) would not be assessed until FY 14-15. The actual assessed rate was 41.3 cents per \$100 of assessed property. The total collected was \$7,973,036. The motor vehicle property tax rate was 40.0 cents per \$100 of assessed property. The total collected was \$1,134,149.
- Districts are funded through the Support Education Excellence in Kentucky (SEEK) calculation. A vital component of this calculation is the Average Daily Attendance (ADA). The final funding ADA for FY14 was \$4,220.00. The district ADA showed no growth during the year. Growth is calculated by taking the difference between the end of the second month attendance figures in the prior year (FY13) and the end of the second month attendance figures in the current year (FY14). When the ADA declines, there is no penalty in the year that is current. Districts are simply funded based on the prior year end of year ADA.
- During FY14, the District received \$14,473,842 in state SEEK funds. This is \$642,203 less than the prior year. The guaranteed per pupil base was \$3,827 (compared to \$3,833 in FY13). Transportation was again not fully funded through the SEEK calculation during FY14. Full funding would have been \$2,492,913. Funding was prorated at 58.8% for a total of \$1,466,322 and a difference of \$1,026,591. Rising personnel costs and unpredictable fuel costs continue to make the reduction in transportation funding increasingly difficult to manage.
- There was an across the board salary increase of 2% during FY14. Rank and step increases also apply to the salary schedule.
- Utilities receipts were up 7.56% from the prior year. The total collection for the year was \$3,490,665.16. During any given year, the change can be attributed to a combination of usage, fluctuating prices, and rate of collection. The Department of Revenue (DOR) collects the utilities tax on behalf of the school districts in Kentucky for a fee not to exceed one percent.
- The level at which grants are subsidized by the District remains significant. As a number of variables cause grant awards to fluctuate, the District must either subsidize the individual grant or make cuts in the program. During FY14, the District spent \$869,200 to supplement programs as follows: Technical Center, 51.64%, Title I, 11.16%, Safe Schools, 8.83%, Gifted and Talented, 7.01%, KERA Preschool, 4.22%, Project Lead the Way, 4.07%, Title IV, 3.51%, Family Resource, 3.31%, KY Science and Technology, 2.00%, Adult Learning Center, 1.55%, Read to Achieve, 1.14%, ESS, 1.02%, and ALC Community Ed, .54%. At 51.64% of the total, the District spent \$448,841 from the general fund to assist operations of the Technical Center during FY14.

**MARSHALL COUNTY PUBLIC SCHOOL DISTRICT – BENTON, KY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2014**

**FINANCIAL HIGHLIGHTS (Continued)**

- There remains a focus on investing in plant management, considering the age and size of our facilities. This process will be achieved using building priorities as compiled in the facilities plan, combined with available funding. During FY 11, a local planning committee (LPC) convened and developed, according to guidelines set forth by KDE, a new local district facility plan (DFP). This plan shows capital construction priorities with a cost estimate of \$39,048,129. The plan was approved by the LPC and then presented to the Marshall County Board of Education at a regularly scheduled meeting on February 17, 2011. On June 8, 2011, the Kentucky Board of Education approved the plan. This remains the current plan on file. Currently, project 1a (new middle school) from the DFP is underway with the initial BG-1 having been approved by the Marshall County BOE on March 25th, 2014 and the Kentucky Department of Education on May 13, 2014. It is projected that the LPC will convene again in December 2014 to prepare the plan that will be due in 2015.
- Significant facilities upgrades (not contained in the DFP) with MCBOE approved BG-1 project application forms include the high school boiler replacement project and the MCHS softball/baseball bleachers project. In the planning process are the MCHS Freshman Wing VAV air handling unit and the BES chiller replacement.
- Electricity expenses were up 1.42% from the prior year for a total expenditure of \$953,814. Natural gas expenditures were up 14.64% from the prior year with \$232,064 being spent. These percentages only reflect actual dollars spent during the year and do not factor in any differences in usage from year to year.
- Funds spent on diesel fuel were down 5.97% from the prior year with a total expenditure of \$292,100. Gasoline expenditures were down 7.81% from the prior year with a total expenditure of \$62,052. The percentages noted only compare actual dollars spent during the years and do not factor in any differences in usage.
- Retiree health care legislation passed through the Kentucky House of Representatives and was signed into law by the Governor on April 13, 2010. The purpose of this legislation was to "insure that not only Kentucky's current retired teachers, but active teachers when they retire as well, will continue to receive health benefits. It also helps the pension fund" (according to the April/May 2010 Kentucky Teachers' Retirement System Active Member Edition newsletter). In this "shared responsibility solution", districts would match the employee contribution for KTRS health as follows:

KTRS Health	10-11	11-12	12-13	13-14	14-15	15-16
Cost	\$49,730	\$93,973	\$178,518	\$276,241		
Rate	.25%	.50%	1.00%	1.50%	2.25%	3.00%

- Most classified personnel are covered under the County Employees Retirement System (CERS). This year, contributions to the plan consist of an employee contribution of 5.0% (members with a participation date on or after September 1, 2008 must contribute an additional 1%). The employer match for CERS increased aggressively for several years and then dropped in 08-09. Rates took another significant increase effective July 1, 2009. The employer match for FY 13-14 dropped to 18.89%. The employer matching requirement from FY13 to FY14 (for all funds) decreased by \$28,716 for a total expenditure of \$965,698.

fiscal year	02-03	03-04	04-05	05-06	06-07	07-08	08-09	09-10	10-11	11-12	12-13	13-14
rate	6.34%	7.34%	8.48%	10.98%	13.19%	16.17%	13.50%	16.16%	16.93%	18.96%	19.55%	18.89%

- The district purchased five buses during FY14. Four buses were type C, 72-passenger and one was a type C, 34-passenger preschool. While the district did not purchase buses during FY10, funds remain committed for future bus purchases.



**MARSHALL COUNTY PUBLIC SCHOOL DISTRICT – KENTUCKY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2014**

**OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the District’s basic financial statements. The District’s basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the District’s finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District’s assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the district is improving or deteriorating.

The statement of activities presents information showing how the District’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt is also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on pages 9 and 10 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary funds are our food service operations, adult education, and our self-insurance dental fund. All other activities of the district are included in the governmental funds.

The basic fund financial statements can be found on pages 11 through 19 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20 through 36 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of a government’s financial position. In the case of the District, assets exceeded liabilities by \$28,310,512 as of June 30, 2014.

The largest portion of the District’s net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress) less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District’s financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

**MARSHALL COUNTY PUBLIC SCHOOL DISTRICT – BENTON, KY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2014**

	<b>Net Assets for the period ending</b>	
	<b>June 30, 2014</b>	<b>June 30, 2013</b>
Current Assets	\$ 9,879,672	\$ 8,505,345
Noncurrent Assets	36,698,517	38,067,722
<b>Total Assets</b>	<b><u>\$ 46,578,189</u></b>	<b><u>\$ 46,573,067</u></b>
Deferred Loss from Refunding Bonds	\$ 978,528	\$ 1,076,381
<b>Total Deferred Outflows of Resources</b>	<b><u>\$ 978,528</u></b>	<b><u>\$ 1,076,381</u></b>
Current Liabilities	\$ 2,532,036	\$ 1,928,537
Noncurrent Liabilities	16,714,169	17,799,213
<b>Total Liabilities</b>	<b><u>\$ 19,246,205</u></b>	<b><u>\$ 19,727,750</u></b>
Net investment in capital assets	\$ 19,647,662	\$ 19,789,372
Restricted for:		
KSFCC escrow	0	729,989
District activity funds	1,378	0
Capital projects and construction	1,268,348	225,956
Debt service	16,658	97,826
Other	325,672	324,053
Food service	302,672	168,562
Unrestricted	6,748,122	6,585,940
<b>Total Net Position</b>	<b><u>\$ 28,310,512</u></b>	<b><u>\$ 27,921,698</u></b>

The following presents a summary of revenue and expense for the fiscal year ended June 30, 2014, compared to the fiscal year ended June 30, 2013.

	<b>June 30, 2014</b>	<b>June 30, 2013</b>
<b>Program Revenues:</b>		
Charges for Services-Governmental	\$ 165,284	\$ 118,905
Charges for Services-Food Service	733,525	844,107
Operating Grants-Governmental	11,089,675	11,337,952
Operating Grants-Food Service	1,969,860	1,823,212
Capital Grants-Governmental	970,370	1,043,534
<b>Total program revenues</b>	<b><u>14,928,714</u></b>	<b><u>15,167,710</u></b>
<b>General Revenues:</b>		
Taxes	16,521,147	15,842,939
Earnings on investments	139,453	119,588
State and formula grants	14,473,842	15,116,045
Gain on retirement of assets	27,974	201,718
Miscellaneous	243	1,083
<b>Total general revenues</b>	<b><u>31,162,659</u></b>	<b><u>31,281,373</u></b>
<b>Total Revenues</b>	<b><u>46,091,373</u></b>	<b><u>46,449,083</u></b>
<b>Expenses:</b>		
Instruction	27,433,387	27,249,733
Student support services	1,786,805	1,719,396
Instructional support	1,139,215	1,211,025
District administration	1,732,533	1,469,374
School administration	2,076,422	2,031,968
Business support	893,597	926,219
Plant operations	4,557,049	4,214,276
Student transportation	2,467,492	2,348,452
Community services	305,974	295,267
Food Service Operation	2,614,943	2,771,217
Adult education	2,444	2,606
Interest on long-term debt	671,193	711,702
Other Debt Service	21,505	21,505
<b>Total expenses</b>	<b><u>45,702,559</u></b>	<b><u>44,972,740</u></b>
<b>Change in Net Position</b>	<b>388,814</b>	<b>1,476,343</b>
<b>Beginning Net Position</b>	<b><u>27,921,698</u></b>	<b><u>26,445,355</u></b>
<b>Ending Net Position</b>	<b><u>\$ 28,310,512</u></b>	<b><u>\$ 27,921,698</u></b>

**MARSHALL COUNTY PUBLIC SCHOOL DISTRICT – BENTON, KY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2014**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

**Revenue Recap**

The majority of revenues were derived from state funding (52.98%) followed by local funding (37.90%), federal funding (8.94%), inter-fund transfers (0.15%), and other receipts (0.03%).

**Expenditure Recap**

Instruction expenditures made up the majority at (55.25%) followed by Plant Operations (9.16%), Student Transportation (5.83%), Food Services (5.54%), School Administration (4.45%), Debt Services (3.92%), Student Support Services (3.83%), District Administration (3.64%), Fund Transfers (3.37%), Student Instructional Support Services (2.44%), Business Support (1.91%), and Community Services (0.66%).

**COMMENTS ON BUDGET COMPARISONS**

In past years, reported on-behalf payments have been non-budgetary accounts as instructed by the Kentucky Department of Education. As such, they caused revenues and expenditures to be overstated in the areas in which they were reported. Currently the KDE allows on-behalf payments to be budgeted, at the discretion of the district. Our district budgeted on-behalf payments during FY14. The actual on-behalf payments for FY 14 are as follows: \$2,448,327 for Teacher Retirement, \$54,662 for Technology, \$244,228 in SFCC Debt Service and \$4,771,869 in Health and Life for a grand total of \$7,519,086. In the Statement of Revenues, Expenditures and Changes in Fund Balance located on page 37, the on-behalf payment is included in the "Intergovernmental – State" revenue line item and is prorated to each function according to the percentage of salaries.

**ADDITIONAL NOTES**

In Kentucky, the public school fiscal year is July 1-June 30; other programs, i.e. some federal grants, operate on a different fiscal calendar, but are reflected in the District overall budget. By law the general fund budget must have a minimum 2% contingency. The Kentucky Department of Education recommends at least 4% and recognizes 10% as being appropriate. The FY14 working budget was approved at the September 19, 2013 Board of Education meeting. Over the course of the year, the District revised the annual operating budget several times. Kentucky districts are required to present to the Board of Education a Draft Budget, Tentative Working Budget, and Working Budget. Significant amendments after the passage of the Working Budget are brought to the Board of Education (during the Treasurer's report) for subsequent review.

Questions regarding this report should be directed to the Superintendent or Finance Officer at (270)527-8628 or by mail at 86 High School Road, Benton, KY 42025.

MARSHALL COUNTY SCHOOL DISTRICT  
**STATEMENT OF NET POSITION**  
June 30, 2014

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS:</b>			
<b>Current Assets:</b>			
Cash and cash equivalents	\$ 7,998,313	\$ 284,715	\$ 8,283,028
Accounts receivable:			
Taxes - current	886,624	0	886,624
Taxes - delinquent	51,953	0	51,953
Accounts receivable	48,733	575	49,308
Due from school activity funds	2,225	0	2,225
Interest	5	0	5
Intergovernmental - state	46,134	0	46,134
Intergovernmental - indirect federal	488,448	0	488,448
Inventory	0	70,527	70,527
Prepaid expenses	1,420	0	1,420
<b>Total current assets</b>	<u>9,523,855</u>	<u>355,817</u>	<u>9,879,672</u>
<b>Noncurrent Assets:</b>			
Capital assets	73,089,918	1,431,331	74,521,249
Less: Accumulated depreciation	<u>(36,660,303)</u>	<u>(1,162,429)</u>	<u>(37,822,732)</u>
<b>Total noncurrent assets</b>	<u>36,429,615</u>	<u>268,902</u>	<u>36,698,517</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 45,953,470</u></u>	<u><u>\$ 624,719</u></u>	<u><u>\$ 46,578,189</u></u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Deferred loss from refunding bonds	\$ 1,272,087	\$ 0	\$ 1,272,087
Less: Accumulated amortization	<u>(293,559)</u>	<u>0</u>	<u>(293,559)</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u><u>\$ 978,528</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 978,528</u></u>
<b>LIABILITIES :</b>			
<b>Current Liabilities:</b>			
Accounts payable	\$ 539,995	\$ 2,074	\$ 542,069
Unearned grant revenue	427,048	0	427,048
Current portion of bond obligations	1,285,000	0	1,285,000
Less: Current portion of unamortized bond discount	(21,505)	0	(21,505)
Current portion of capital lease payable	67,443	0	67,443
Current portion of KSBIT payable	43,743	0	43,743
Current portion of accrued sick leave	108,136	8,478	116,614
Interest payable	71,624	0	71,624
<b>Total current liabilities</b>	<u>2,521,484</u>	<u>10,552</u>	<u>2,532,036</u>
<b>Noncurrent Liabilities:</b>			
Noncurrent portion of bond obligations	15,959,000	0	15,959,000
Less: Noncurrent portion of unamortized bond discount	(171,640)	0	(171,640)
Noncurrent portion of capital lease payable	209,699	0	209,699
Noncurrent portion of KSBIT payable	131,230	0	131,230
Noncurrent portion of accrued sick leave	543,287	42,593	585,880
<b>Total noncurrent liabilities</b>	<u>16,671,576</u>	<u>42,593</u>	<u>16,714,169</u>
<b>TOTAL LIABILITIES</b>	<u><u>\$ 19,193,060</u></u>	<u><u>\$ 53,145</u></u>	<u><u>\$ 19,246,205</u></u>
<b>NET POSITION:</b>			
Net investment in capital assets	\$ 19,378,760	\$ 268,902	\$ 19,647,662
Restricted for:			
District activity funds	1,378	0	1,378
Capital projects and construction	1,268,348	0	1,268,348
Debt service	16,658	0	16,658
Other	325,672	0	325,672
Food service	0	302,672	302,672
Unrestricted	6,748,122	0	6,748,122
<b>TOTAL NET POSITION</b>	<u><u>\$ 27,738,938</u></u>	<u><u>\$ 571,574</u></u>	<u><u>\$ 28,310,512</u></u>

See independent auditor's report and accompanying notes to financial statements

**MARSHALL COUNTY SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2014

					Net (Expense) Revenue and		
					Changes in Net Position		
					Business-		
					Governmental	Type	
					Activities	Activities	Total
FUNCTIONS/PROGRAMS							
Governmental Activities:							
Instruction	\$27,433,387	\$164,784	\$ 8,469,504	\$ 970,370	\$ (17,828,729)	\$ 0	\$ (17,828,729)
Support Services:							
Student	1,786,805	0	369,141	0	(1,417,664)	0	(1,417,664)
Instructional Staff	1,139,215	0	349,839	0	(789,376)	0	(789,376)
District Administration	1,732,533	0	101,039	0	(1,631,494)	0	(1,631,494)
School Administration	2,076,422	0	453,429	0	(1,622,993)	0	(1,622,993)
Business	893,597	0	201,954	0	(691,643)	0	(691,643)
Plant operations and maintenance	4,557,049	500	361,008	0	(4,195,541)	0	(4,195,541)
Student transportation	2,467,492	0	427,635	0	(2,039,857)	0	(2,039,857)
Food service	10,382	0	0	0	(10,382)	0	(10,382)
Community service activities	305,974	0	263,592	0	(42,382)	0	(42,382)
Interest on long-term debt	671,193	0	92,534	0	(578,659)	0	(578,659)
Other debt service	21,505	0	0	0	(21,505)	0	(21,505)
Total governmental activities	43,095,554	165,284	11,089,675	970,370	(30,870,225)	0	(30,870,225)
Business-Type Activities:							
Food service	2,604,561	733,525	1,969,860	0	0	98,824	98,824
Adult education	2,444	0	0	0	0	(2,444)	(2,444)
Total business-type activities	2,607,005	733,525	1,969,860	0	0	96,380	96,380
Total primary government	\$45,702,559	\$898,809	\$13,059,535	\$ 970,370	(30,870,225)	96,380	(30,773,845)
General Revenues:							
Taxes:							
Property					8,168,638	0	8,168,638
Motor Vehicle					1,134,149	0	1,134,149
Utilities					3,490,665	0	3,490,665
Occupational license tax					2,056,365	0	2,056,365
In Lieu of					1,671,330	0	1,671,330
Earnings on Investments					136,254	3,199	139,453
State and formula grants					14,473,842	0	14,473,842
Gain on retirement of assets					27,974	0	27,974
Miscellaneous					243	0	243
Change in net position					289,235	99,579	388,814
Net position at July 1, 2013, as restated					27,449,703	471,995	27,921,698
Net position at June 30, 2014					\$ 27,738,938	\$571,574	\$ 28,310,512

See independent auditor's report and accompanying notes to financial statements

MARSHALL COUNTY SCHOOL DISTRICT  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
June 30, 2014

	General Fund	Special Revenue Fund	FSPK Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS AND RESOURCES:</b>					
Cash and cash equivalents	\$ 6,350,586	\$ 3,576	\$ 1,045,854	\$ 239,152	\$ 7,639,168
Accounts receivable:					
Taxes - current	886,624	0	0	0	886,624
Taxes - delinquent	51,953	0	0	0	51,953
Accounts receivable	48,733	0	0	0	48,733
Due from other funds	20,622	0	0	0	20,622
Due from school activity funds	2,225	0	0	0	2,225
Interest	5	0	0	0	5
Intergovernmental - state	346	45,788	0	0	46,134
Intergovernmental - indirect federal	8,737	479,711	0	0	488,448
Prepaid expenses	1,420	0	0	0	1,420
<b>TOTAL ASSETS AND RESOURCES</b>	<b>\$ 7,371,251</b>	<b>\$ 529,075</b>	<b>\$ 1,045,854</b>	<b>\$ 239,152</b>	<b>\$ 9,185,332</b>
<b>LIABILITIES AND FUND BALANCE:</b>					
<b>LIABILITIES:</b>					
Accounts payable	\$ 426,495	\$ 80,027	\$ 0	\$ 0	\$ 506,522
Due to other funds	0	20,622	0	0	20,622
Unearned grant revenue	0	427,048	0	0	427,048
Current portion of accrued sick leave	108,136	0	0	0	108,136
<b>TOTAL LIABILITIES</b>	<b>534,631</b>	<b>527,697</b>	<b>0</b>	<b>0</b>	<b>1,062,328</b>
<b>FUND BALANCES:</b>					
Nonspendable	1,420	0	0	0	1,420
Restricted	510,816	1,378	1,045,854	239,152	1,797,200
Committed	970,419	0	0	0	970,419
Assigned	62,347	0	0	0	62,347
Unassigned	5,291,618	0	0	0	5,291,618
<b>TOTAL FUND BALANCES</b>	<b>6,836,620</b>	<b>1,378</b>	<b>1,045,854</b>	<b>239,152</b>	<b>8,123,004</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 7,371,251</b>	<b>\$ 529,075</b>	<b>\$ 1,045,854</b>	<b>\$ 239,152</b>	<b>\$ 9,185,332</b>

See independent auditor's report and accompanying notes to financial statements

MARSHALL COUNTY SCHOOL DISTRICT  
**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL  
 FUNDS TO THE STATEMENT OF NET POSITION**  
 June 30, 2014

Total governmental fund balance per fund financial statements		\$ 8,123,004
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
Cost	\$ 73,089,918	
Accumulated depreciation	<u>(36,660,303)</u>	36,429,615
Deferred loss from refunding bonds that are not financial resources and therefore are not reported as assets in the governmental funds balance sheet.		978,528
Certain liabilities including interest payable are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net position.		(71,624)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
Bond and lease obligations	(17,327,997)	
KSBIT payable	(174,973)	
Accrued sick leave payable	<u>(543,287)</u>	(18,046,257)
Internal service funds are used by management to charge the cost of dental insurance to individual funds. The assets and liabilities of this internal service fund not included in other reconciling items are:		
Current assets	359,145	
Current liabilities	<u>(33,473)</u>	<u>325,672</u>
Net position of governmental activities		<u><u>\$ 27,738,938</u></u>

See independent auditor's report and accompanying notes to financial statements

MARSHALL COUNTY SCHOOL DISTRICT  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2014

	General Fund	Special Revenue Fund	FSPK Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>					
From Local Sources:					
Taxes:					
Property	\$ 7,028,707	\$ 0	\$ 1,139,931	\$ 0	\$ 8,168,638
Motor Vehicle	1,134,149	0	0	0	1,134,149
Utilities	3,490,665	0	0	0	3,490,665
Occupational license tax	2,056,365	0	0	0	2,056,365
In Lieu of	1,629,389	0	0	0	1,629,389
Earnings on Investments	132,691	2,876	0	3,563	139,130
Other local revenues	118,731	33,382	0	0	152,113
Intergovernmental - State	21,562,175	1,556,781	395,193	667,711	24,181,860
Intergovernmental - indirect federal	164,784	2,268,837	0	0	2,433,621
<b>TOTAL REVENUES</b>	<b>37,317,656</b>	<b>3,861,876</b>	<b>1,535,124</b>	<b>671,274</b>	<b>43,385,930</b>
<b>EXPENDITURES:</b>					
Current:					
Instruction	22,401,947	3,382,353	0	0	25,784,300
Support Services:					
Student	1,774,343	12,462	0	0	1,786,805
Instructional Staff	1,026,198	111,570	0	0	1,137,768
District Administration	1,667,983	29,559	0	0	1,697,542
School Administration	2,073,136	0	0	0	2,073,136
Business	890,547	0	0	0	890,547
Plant operations and maintenance	4,274,343	0	0	0	4,274,343
Student transportation	2,590,734	128,719	0	0	2,719,453
Food service	10,382	0	0	0	10,382
Community service activities	42,382	263,592	0	0	305,974
Facilities acquisition and construction	0	0	0	145,032	145,032
Debt service	0	0	0	1,830,131	1,830,131
<b>TOTAL EXPENDITURES</b>	<b>36,751,995</b>	<b>3,928,255</b>	<b>0</b>	<b>1,975,163</b>	<b>42,655,413</b>
Excess (deficit) of revenues over expenditures	565,661	(66,379)	1,535,124	(1,303,889)	730,517
<b>OTHER FINANCING SOURCES (USES):</b>					
Sale or comp for loss of assets	27,974	0	0	0	27,974
Operating transfers in	0	67,757	0	1,504,523	1,572,280
Operating transfers out	(67,757)	0	(1,081,040)	(423,483)	(1,572,280)
<b>TOTAL OTHER FINANCING       SOURCES (USES)</b>	<b>(39,783)</b>	<b>67,757</b>	<b>(1,081,040)</b>	<b>1,081,040</b>	<b>27,974</b>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	525,878	1,378	454,084	(222,849)	758,491
<b>Fund Balance, July 1, 2013</b>	<b>6,310,742</b>	<b>0</b>	<b>591,770</b>	<b>462,001</b>	<b>7,364,513</b>
<b>Fund Balance, June 30, 2014</b>	<b>\$ 6,836,620</b>	<b>\$ 1,378</b>	<b>\$ 1,045,854</b>	<b>\$ 239,152</b>	<b>\$ 8,123,004</b>

See independent auditor's report and accompanying notes to financial statements



MARSHALL COUNTY SCHOOL DISTRICT  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES**  
 For the Year Ended June 30, 2014

Net change in total governmental fund balances per fund financial statements		\$ 758,491
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures because they use current financial resources. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays are exceeded by depreciation expense for the year.		
Depreciation expense	(2,074,095)	
Capital outlays	<u>739,421</u>	(1,334,674)
Gross proceeds from the sale of capital assets are reported as revenue in the governmental funds because they provide current financial resources. However, in the statement of activities, the undepreciated cost of those assets is deducted from the proceeds to report gain or loss on the sale.		
Gross proceeds from the sale of fixed assets	(27,974)	
Gain on the disposal of fixed assets	<u>27,974</u>	0
Bond proceeds are reported as financing sources in governmental funds and, thus, contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.		
Capital lease proceeds	(277,142)	
Principal paid	<u>1,249,000</u>	971,858
Governmental funds report the effect of gains, losses, and discounts when debt is first issued; whereas, these amounts are amortized in the statement of activities.		
Amortization of deferred loss on early retirement of debt	(97,853)	
Amortization of bond discounts	<u>(21,505)</u>	(119,358)
Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred. These net differences are as follows:		
Interest payable	7,791	
Accrued sick leave	<u>3,508</u>	11,299
Internal service funds are used by management to charge the costs of dental insurance to individual funds. The net revenue of the internal service fund is reported with governmental activities.		<u>1,619</u>
Change in net position of governmental activities		<u><u>\$ 289,235</u></u>

See independent auditor's report and accompanying notes to financial statements

MARSHALL COUNTY SCHOOL DISTRICT  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
June 30, 2014

	Food Service Fund	Total Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
<b>ASSETS:</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 284,715	\$ 0	\$ 284,715	\$ 359,145
Accounts receivable:				
Other accounts receivable	575	0	575	0
Inventory	70,527	0	70,527	0
<b>Total current assets</b>	<u>355,817</u>	<u>0</u>	<u>355,817</u>	<u>359,145</u>
<b>Noncurrent Assets</b>				
Capital assets	1,291,211	140,120	1,431,331	0
Less: accumulated depreciation	(1,042,329)	(120,100)	(1,162,429)	0
<b>Total noncurrent assets</b>	<u>248,882</u>	<u>20,020</u>	<u>268,902</u>	<u>0</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 604,699</u></u>	<u><u>\$ 20,020</u></u>	<u><u>\$ 624,719</u></u>	<u><u>\$ 359,145</u></u>
<b>LIABILITIES:</b>				
<b>Current Liabilities</b>				
Accounts payable	\$ 2,074	\$ 0	\$ 2,074	\$ 0
Current portion of accrued sick leave	8,478	0	8,478	0
Estimated claims payable, current	0	0	0	33,473
<b>Total current liabilities</b>	<u>10,552</u>	<u>0</u>	<u>10,552</u>	<u>33,473</u>
<b>Noncurrent Liabilities</b>				
Noncurrent portion of accrued sick leave	42,593	0	42,593	0
<b>Total noncurrent liabilities</b>	<u>42,593</u>	<u>0</u>	<u>42,593</u>	<u>0</u>
<b>TOTAL LIABILITIES</b>	<u><u>\$ 53,145</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 53,145</u></u>	<u><u>\$ 33,473</u></u>
<b>Net Position</b>				
Net investment in capital assets	\$ 248,882	\$ 20,020	\$ 268,902	\$ 0
Restricted for food service	302,672	0	302,672	0
Other restricted	0	0	0	325,672
<b>Total net position</b>	<u><u>\$ 551,554</u></u>	<u><u>\$ 20,020</u></u>	<u><u>\$ 571,574</u></u>	<u><u>\$ 325,672</u></u>

See independent auditor's report and accompanying notes to financial statements

MARSHALL COUNTY SCHOOL DISTRICT  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
For the Year Ended June 30, 2014

	Food Service Fund	Total Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Fund
<b>Operating Revenues:</b>				
Lunchroom sales	\$ 721,168	\$ 0	\$ 721,168	\$ 0
Other operating revenues	12,357	0	12,357	0
Charges for services from other funds	0	0	0	291,980
COBRA revenues	0	0	0	4,085
<b>Total operating revenues</b>	<b>733,525</b>	<b>0</b>	<b>733,525</b>	<b>296,065</b>
<b>Operating Expenses:</b>				
Salaries and benefits	1,241,042	0	1,241,042	0
Contract services	31,006	0	31,006	30,438
Materials and supplies	1,274,234	0	1,274,234	0
Depreciation	51,090	2,444	53,534	0
Claims paid	0	0	0	268,160
Other operating expenses	7,189	0	7,189	0
<b>Total operating expenses</b>	<b>2,604,561</b>	<b>2,444</b>	<b>2,607,005</b>	<b>298,598</b>
Operating income (loss)	(1,871,036)	(2,444)	(1,873,480)	(2,533)
<b>Non-Operating Revenues (Expenses):</b>				
Federal grants	1,510,923	0	1,510,923	0
Donated commodities	183,367	0	183,367	0
State grants	275,570	0	275,570	0
Interest income	3,199	0	3,199	4,152
<b>Total non-operating revenues</b>	<b>1,973,059</b>	<b>0</b>	<b>1,973,059</b>	<b>4,152</b>
Change in net position	102,023	(2,444)	99,579	1,619
<b>Net Position, July 1, 2013</b>	<b>449,531</b>	<b>22,464</b>	<b>471,995</b>	<b>324,053</b>
<b>Net Position, June 30, 2014</b>	<b>\$ 551,554</b>	<b>\$ 20,020</b>	<b>\$ 571,574</b>	<b>\$ 325,672</b>

See independent auditor's report and accompanying notes to financial statements

MARSHALL COUNTY SCHOOL DISTRICT  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
For the Year Ended June 30, 2014

	Food Service Fund	Other Enterprise Funds	Total Enterprise Funds	Internal Service Fund
<b>Cash Flows from Operating Activities:</b>				
Cash received from:				
Lunchroom sales	\$ 721,168	\$ 0	\$ 721,168	\$ 0
Other operating revenues	12,225	0	12,225	4,085
Charges for services from other funds	0	0	0	291,980
Cash paid to/for:				
Employees	(972,756)	0	(972,756)	0
Contract services	(31,243)	0	(31,243)	(30,489)
Materials and supplies	(1,094,728)	0	(1,094,728)	0
Other operating expenses	(7,189)	0	(7,189)	(269,885)
<b>Net cash provided by (used in) operating activities</b>	<u>(1,372,523)</u>	<u>0</u>	<u>(1,372,523)</u>	<u>(4,309)</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>				
Operating grants received	1,640,272	0	1,640,272	0
<b>Net cash provided by (used in)</b>				
<b>non-capital financing activities</b>	<u>1,640,272</u>	<u>0</u>	<u>1,640,272</u>	<u>0</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Purchases of capital assets	(19,003)	0	(19,003)	0
<b>Net cash provided by (used in)</b>				
<b>capital and related financing activities</b>	<u>(19,003)</u>	<u>0</u>	<u>(19,003)</u>	<u>0</u>
<b>Cash Flows from Investing Activities:</b>				
Interest income received	3,199	0	3,199	4,152
<b>Net cash provided by (used in) investing activities</b>	<u>3,199</u>	<u>0</u>	<u>3,199</u>	<u>4,152</u>
Net increase (decrease) in cash and cash equivalents	251,945	0	251,945	(157)
<b>Cash and cash equivalents, July 1, 2013</b>	<u>32,770</u>	<u>0</u>	<u>32,770</u>	<u>359,302</u>
<b>Cash and cash equivalents, June 30, 2014</b>	<u><u>\$ 284,715</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 284,715</u></u>	<u><u>\$ 359,145</u></u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ (1,871,036)	\$ (2,444)	\$ (1,873,480)	\$ (2,533)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	51,090	2,444	53,534	0
On behalf payments	249,098	0	249,098	0
Commodities used	183,367	0	183,367	0
Changes in assets and liabilities:				
Inventory	(2,541)	0	(2,541)	0
Accounts receivable	(132)	0	(132)	0
Accounts payable	(1,557)	0	(1,557)	(1,776)
Accrued sick leave	19,188	0	19,188	0
<b>Net cash provided by (used in) operating activities</b>	<u><u>\$ (1,372,523)</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ (1,372,523)</u></u>	<u><u>\$ (4,309)</u></u>
<b>Non-Cash Investing, Capital, and Financing Activities:</b>				
Food commodities received	\$ 183,367	\$ 0	\$ 183,367	\$ 0
On behalf payments	249,098	0	249,098	0
<b>Total Non-Cash Investing, Capital, and</b>				
<b>Financing Activities</b>	<u><u>\$ 432,465</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 432,465</u></u>	<u><u>\$ 0</u></u>

See independent auditor's report and accompanying notes to financial statements

MARSHALL COUNTY SCHOOL DISTRICT  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
June 30, 2014

	Private Purpose Trust Funds	Agency Fund
	<u>                    </u>	<u>                    </u>
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 337,006	\$ 709,067
Accounts receivable	<u>0</u>	<u>8,660</u>
<b>Total Assets</b>	<u><u>\$ 337,006</u></u>	<u><u>\$ 717,727</u></u>
 <b>LIABILITIES:</b>		
Accounts payable	\$ 0	\$ 14,505
Due to Governmental Funds	0	2,225
Due to student groups	<u>0</u>	<u>700,997</u>
<b>Total Liabilities</b>	<u><u>\$ 0</u></u>	<u><u>\$ 717,727</u></u>
 <b>NET POSITION HELD IN TRUST</b>	<u><u>\$ 337,006</u></u>	<u><u>\$ 0</u></u>

See independent auditor's report and accompanying notes to financial statements

MARSHALL COUNTY SCHOOL DISTRICT  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
For the Year Ended June 30, 2014

	Private Purpose Trust Funds
	<hr/>
<b>Additions:</b>	
Interest income	\$ 4,329
Contributions received	<hr/> 46,260
<b>Total Additions</b>	<hr/> 50,589
 <b>Deductions:</b>	
Fundraising expenses	929
Benefits paid	<hr/> 45,500
<b>Total Deductions</b>	<hr/> 46,429
Change in net position	4,160
<b>Net position, July 1, 2013</b>	<hr/> 332,846
<b>Net position, June 30, 2014</b>	<hr/> <hr/> \$ 337,006

See independent auditor's report and accompanying notes to financial statements

**MARSHALL COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
Year ended June 30, 2014

**NOTE A – REPORTING ENTITY**

The Marshall County Board of Education (“Board”), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Marshall County School District (“District”). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental “reporting entity” as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards because board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations, and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and activities relevant to the operation of the Marshall County School District. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the District itself such as Band Boosters, Parent-Teacher Associations, etc. The District is not involved in budgeting or managing these organizations, and is not responsible for any debt of the organizations, nor has any influence over the operation of the organizations.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding, and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organizations are included in the accompanying financial statements:

Marshall County School District Finance Corporation – In 1991, the Marshall County Board of Education resolved to authorize the establishment of the Marshall County School District Finance Corporation (a nonprofit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) (the “Corporation”) as an agency for the District for financing the costs of school building facilities. The board members of the Marshall County Board of Education also comprise the Corporation’s Board of Directors.

Marshall County Finance Office – On September 1, 1968, the Marshall County Fiscal Court formed the Marshall County Finance Office as an agency of the Board for collecting the .5% occupational license tax for schools. When the District began providing office space and the salary for the collector of the tax, the fund was included as an Agency Fund on the District’s financial statements. Based on format changes to the statements under GASB 34, the Finance Office Fund activities were combined with the General Fund.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The District’s financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the District’s accounting policies are described below.

Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include all financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

**MARSHALL COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2014

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Basis of Presentation (continued)

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements of governmental funds.

The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District. The District does not allocate indirect expenses.

Fund Financial Statements – The financial transactions of the District are reported in individual funds in the fund financial statements, each of which is considered to be a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues, and expenditures. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- a) Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or proprietary fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b) Total assets, liabilities, revenues or expenditures/expenses of the individual governmental fund or proprietary fund are at least 5 percent of the corresponding total for all governmental and proprietary funds combined.
- c) Funds may be reported as a major fund if the District considers them significant to the users of the financial statements.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets, current liabilities, and fund balances, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The fiduciary funds are reported using the economic resources measurement focus.



**MARSHALL COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2014

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

Fund Accounting

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any unrestricted fund balances are considered as resources available for use. This is always classified as a major fund of the District per GASB 34.
- (B) The Special Revenue (Grant) Fund accounts for proceeds of specific revenue sources, such as grants, donations, or gifts (other than expendable trusts or major capital projects) that are legally restricted or committed to expenditure for specified purposes other than debt service or capital projects. It includes state, federal, and private grants where unused balances are returned to the grantor at the close of specified project periods. Project accounting codes are employed to distinguish specific revenue sources and expenditures. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report on page 48. The Kentucky Department of Education has deemed this fund always be classified as a major fund.
- (C) Capital Project Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays including the acquisition or construction of capital facilities and other capital assets (other than those financed by Proprietary Funds). Common sources of revenue to these funds are the capital outlay allotment, building fund tax levies, and sale of bonds.
  - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds (unless authorized for retention in the General Fund) and is restricted for use in financing projects identified in the District's facility plan.
  - 2. The Facility Support Program of Kentucky (FSPK) Fund accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the district's facility plan. This is a major fund of the District.
  - 3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.
- (D) The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and, for the payment of interest on general obligation notes payable, as required by Kentucky Law.

II. Proprietary Fund Types (Enterprise and Internal Service Funds)

- (A) The Food Service Fund (Enterprise) is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). An amount of \$183,367 has been recorded for in-kind contribution of commodities from the USDA. The Food Service Fund is a major fund of the District.
- (B) The Adult Education Fund (Enterprise) is used to account for revenues from adult education programs.
- (C) The Self-insurance Dental Fund (Internal Service) is used to account for the financing of risk management for dental and vision coverage.

**MARSHALL COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2014

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Fund Accounting – continued

III. Fiduciary Fund Type (Agency and Private Purpose Trust Funds)

- (A) Agency funds account for assets held by the District in a purely custodial capacity. Since Agency Funds are custodial in nature (i.e., assets equal liabilities), they do not involve the measurement of results of operations. The Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. These activity funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds.
- (B) The Private Purpose Trust Funds are used to report trust arrangements under which principal and income benefit individuals, such as scholarships.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Exchange transactions, in which each party receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means resources are expected to be received within sixty days of the fiscal year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On the modified accrual basis, revenues from non-exchange transactions must also be available before it can be recognized.

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as unearned grant revenue.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net position as an expense with a like amount reported as donated commodities revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

**MARSHALL COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2014

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

Property Taxes

Property taxes are levied each October on the assessed value listed as of the prior January 1, for all real and personal property within the School District. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending thirty days after the tax bill mailing. Property taxes collected are recorded as revenues in the fund for which they were levied.

The property tax rates assessed for the year ended June 30, 2014, to finance operations were \$.413 per \$100 valuation for real property, \$.413 per \$100 valuation for business personal property and \$.40 per \$100 valuation for motor vehicles.

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the county, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial and mixed gas.

In addition, the District levies an occupational license tax of .5% on salaries, wages, commissions, and other compensation of individuals for work done and services performed or rendered in the county by resident individuals and on the net profits of all businesses, professions, or occupations from activities conducted in the county.

Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for revenues and expenses on the same basis as the actual financial statements, which is Generally Accepted Accounting Principles (GAAP).

Once the budget is approved, it can be amended. Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.

Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with an original maturity of ninety days or less, to be cash equivalents.

Inventories

The only inventory maintained by the District consists of expendable supplies held for consumption and is accounted for in the proprietary (food service) fund. Inventory consists of purchased food and donated commodities and is expensed when used. The purchased food is stated at cost and donated commodity inventory is stated at estimated value on date of receipt, with both types using the first-in, first-out method.

Prepaid Assets

Payments made that will benefit periods beyond June 30, 2014 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed. Prepaid items at June 30, 2014 consisted of fidelity bonds paid during the fiscal year ended June 30, 2014 that included coverage for periods beyond June 30, 2014.

Debt Costs

Unamortized discounts of \$193,145 are included in the government-wide statements. Discounts are amortized over the lives of the related debt issues using the straight-line method.

**MARSHALL COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2014

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. At its July 17, 2012 meeting, the Board approved a change to its Fixed Asset policy in order to follow guidelines developed by the Kentucky Department of Education in its latest update on January 25, 2012. The new guidelines establish a capitalization threshold of \$5,000 for real or personal property, including computer workstations. Larger thresholds apply to land improvements, buildings and building improvements, leasehold improvements, and infrastructure. Improvements to land and to buildings in excess of established thresholds are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All capital assets, except land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both governmental and business-type capital assets:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	10-12 years
Furniture and fixtures	7 years
Rolling stock	15 years
Other	10 years

Accumulated Unpaid Sick Leave Benefits

For those employees who qualify, the District has adopted the policy of providing at retirement a percentage of their accumulated unused sick leave. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the District's past experience of making termination payments and the age and current pay rates of eligible employees.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid sick leave is the amount expected to be paid using expendable available resources. These amounts, when applicable, are recorded in the account "current portion of accrued sick leave" in the general fund. The noncurrent portion of the liability is not reported.

**MARSHALL COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2014

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension contributions, and special termination benefits that will be paid from governmental funds are reported as liabilities in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as liabilities in the fund financial statements until due.

Fund Balance Classifications

Nonspendable fund balances are amounts that are not in a spendable form (such as prepaid expenses or inventories) or are required to be maintained intact. At June 30, 2014, the District had \$1,420 in nonspendable fund balance – prepaids.

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. At June 30, 2014, the District had \$325,711 restricted for sick leave in the General Fund, \$185,105 restricted for future construction on BG-1 forms in the General Fund, \$1,378 restricted for district activity funds in the Special Revenue Fund, \$931,771 restricted for future construction on BG-1 forms in the FSPK fund, \$114,083 restricted for other purposes in the FSPK fund, and \$239,152 restricted in the nonmajor funds (\$222,494 for future construction on BG-1 forms and \$16,658 for debt service).

Committed fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority which, for the District, is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment. The District had the following commitments at June 30, 2014: \$24,503 for SDBM carryforward, \$9,617 for playground equipment, \$719,759 for buses, and \$216,540 for digital curriculum.

Assigned fund balances are those amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Education allows the program supervisors to complete purchase orders which result in the encumbrance of funds. The amount assigned related to encumbrances at June 30, 2014, was \$13,069 in the General Fund. The General Fund also had \$49,278 assigned for equipment purchases. Assigned fund balance also includes (a) all remaining amounts, except negative balances, that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose.

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund is the only fund that reports a positive unassigned fund balance. In other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

**MARSHALL COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2014

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Fund Balance Classifications (Continued)

The District considers restricted amounts to have been spent first when expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available. The District does not have a policy regarding the use of unrestricted fund balance amounts. Therefore, the default order is used which considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position includes all other net position that does not meet the definition of restricted or net investment in capital assets.

Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of materials or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are re-appropriated in the next year. Accordingly, no differences exist between actual results and the applicable budgetary data presented in the accompanying required supplementary information. Encumbrances are considered a managerial assignment of fund balance at June 30, 2014.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, those revenues are primarily charges for meals provided by the various schools. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from non-exchange transactions or ancillary activities.

Use of Restricted Resources

The District does not have a policy regarding the use of restricted net position; however when an expense is incurred for which there are both restricted and unrestricted net position available, it is the District's informal policy to use restricted resources first, then unrestricted resources as they are needed, with the exception of funds that are escrowed for SFCC, which must be released by the SFCC and KDE before being used.

Impact of Recently Issued Accounting Pronouncements

In March, 2012, the GASB issued Statement 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this statement became effective for financial statements for periods beginning after December 15, 2012. The effect on the current year financial statements was to reclassify unamortized bond issue costs (previously reported as other assets). The amount that had been reported on the June 30, 2013 financial statements as unamortized bond issue costs was \$130,056. The beginning unrestricted net position was re-stated to reduce it by \$130,056.

**MARSHALL COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2014

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Impact of Recently Issued Accounting Pronouncements (continued)

In June, 2012, the GASB issued Statement 68, *Accounting and Financial Reporting for Pensions*. GASB 68 revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. With the implementation of GASB Statement 68, employers will be required to recognize a liability as employees earn their pension benefits (that is, as they provide services to the government). Employers participating in cost-sharing plans will recognize their proportionate share of the collective pension amounts for all benefits provided through the plan. The provisions of this statement are effective for financial statements for periods beginning after June 15, 2014. These amounts are not being calculated for the year ended June 30, 2014, but could have a significant impact in the year of implementation, which will be the fiscal year ending June 30, 2015.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Interfund transfers between funds of the same type are eliminated in the government-wide statements. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Subsequent Events

In preparing these financial statements, management has evaluated other events and transactions for potential recognition or disclosure through October 30, 2014, the date the financial statements were available to be issued.

**NOTE C – ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**NOTE D – CASH AND CASH EQUIVALENTS**

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to KRS 160.570 and 702 KAR 3:090. The depository bank deposits for safekeeping and trust with the District's third party agent approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

Kentucky Revised Statutes authorize the Board to invest in direct obligations of the United States government, obligations backed by the full faith and credit of the United States government, certificates of deposit or other interest bearing accounts issued by any bank or saving and loan institution provided that such investment is insured by the FDIC or guaranteed by the pledge of direct United States Government obligations, bonds issued by the Commonwealth of Kentucky or one of its agencies and instrumentalities, securities issued by any state or local government of the United States rated in one of the three highest categories by a nationally recognized rating agency, certain mutual funds, commercial paper rated in the highest category by a nationally recognized rating agency, or bankers' acceptance for banks rated in one of the three highest categories by a nationally recognized rating agency. The District has no investment policy that would further limit its investment choices.

At year end, the carrying amount of the District's cash and cash equivalents was \$9,329,101. The bank balance was \$10,603,188. Of the bank balance, \$558,459 was covered by federal depository insurance and the remaining balance was subject to custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The remaining balance of \$10,044,729 was uninsured and collateralized with securities held by the pledging bank's agent, in the District's name.

MARSHALL COUNTY SCHOOL DISTRICT  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
For the Year Ended June 30, 2014

**Note E - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

Governmental Activities	Balance July 1, 2013	Additions	Retirements	Balance June 30, 2014
Capital Assets:				
Land	\$ 1,294,325	\$ 0	\$ 0	\$ 1,294,325
Land improvements	44,500	0	0	44,500
Buildings and improvements	58,905,541	0	0	58,905,541
Technology equipment	3,051,974	0	28,408	3,023,566
Vehicles	5,218,309	490,667	0	5,708,976
General Equipment	3,864,256	103,722	0	3,967,978
Construction	0	145,032	0	145,032
Totals at historical cost	<u>72,378,905</u>	<u>739,421</u>	<u>28,408</u>	<u>73,089,918</u>
Less: Accumulated depreciation				
Land improvements	9,642	2,225	0	11,867
Buildings and improvements	25,545,678	1,312,556	0	26,858,234
Technology equipment	2,600,745	220,603	28,408	2,792,940
Vehicles	3,588,943	333,932	0	3,922,875
General Equipment	2,869,608	204,779	0	3,074,387
Total accumulated depreciation	<u>34,614,616</u>	<u>2,074,095</u>	<u>28,408</u>	<u>36,660,303</u>
Governmental Activities Capital Assets - Net	<u>\$ 37,764,289</u>	<u>\$ (1,334,674)</u>	<u>\$ 0</u>	<u>\$ 36,429,615</u>
Business-Type Activities				
Capital Assets:				
Buildings and improvements	\$ 114,545	\$ 0	\$ 0	\$ 114,545
Technology equipment	67,076	0	0	67,076
General Equipment	1,230,707	19,003	0	1,249,710
Totals at historical cost	<u>1,412,328</u>	<u>19,003</u>	<u>0</u>	<u>1,431,331</u>
Less: Accumulated depreciation				
Buildings and improvements	92,782	2,291	0	95,073
Technology equipment	63,852	2,123	0	65,975
General Equipment	952,261	49,120	0	1,001,381
Total accumulated depreciation	<u>1,108,895</u>	<u>53,534</u>	<u>0</u>	<u>1,162,429</u>
Business-Type Activities Capital Assets - Net	<u>\$ 303,433</u>	<u>\$ (34,531)</u>	<u>\$ 0</u>	<u>\$ 268,902</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 1,430,033
Instructional staff support	1,447
District administration	57,598
School administrative support	3,286
Business support	3,050
Plant operation and maintenance	333,800
Student transportation	244,881
Total depreciation expense	<u>\$ 2,074,095</u>



**MARSHALL COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2014

**NOTE F – GENERAL LONG-TERM OBLIGATIONS**

The amount shown in the accompanying government-wide financial statements as bond obligations represent the District's future obligations to make lease payments related to school building revenue bonds issued by the Marshall County School District Finance Corporation on behalf of the District for purposes of school facility construction. These amounts are not reflected on the fund financial statements.

The District, through the General Fund, SEEK Capital Outlay Fund and the Facility Support Program Levy Fund is obligated to make lease payments. The lease agreements provide, among other things, for rentals sufficient to satisfy debt service requirements on bonds issued by the Marshall County School District Finance Corporation to construct school facilities. The District has the option to purchase the property under lease at any time by retiring the bonds then outstanding. Upon completion of such payments, the leased premises will become the property of the District. The District is obligated to maintain adequate property insurance on the school facilities, and the school facilities have been pledged as security for the holders of the bonds.

Following is a schedule of obligations existing at June 30, 2014:

<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rates</u>	<u>Amount Outstanding</u>
June 15, 2004	June 1, 2018	3.000% - 5.000%	\$ 2,655,000
June 21, 2007	May 1, 2027	4.000% - 4.125%	3,290,000
April 22, 2008	March 1, 2018	2.200% - 3.300%	1,740,000
November 30, 2010	November 1, 2030	3.625%	454,000
November 30, 2011	June 1, 2024	2.000% - 2.625%	9,105,000
			<u>\$ 17,244,000</u>

In 1991 the District entered into a "participation agreement" with the Kentucky School Facilities Construction Commission (the "Commission"). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school boards in meeting school construction needs. The Commission will remit a stated amount of bond principal and interest payments annually, subject to biennial approval by the Kentucky General Assembly. Should approval not be received in future periods, the District remains obligated for the full amount of the bond principal and interest payments. Therefore, the liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

In November 2011, the Board issued bonds to advance refund outstanding 2004 School Building Revenue Bonds that were scheduled to mature on or after June 1, 2014. The defeased bonds were paid during the year. In the Statement of Net Position, the net costs associated with the early retirement of the issue are deferred and amortized over the remaining life of the defeased debt. The amount deferred is reported as a deferred outflow of resources. Total deferred costs were \$1,272,087. Amortization for the year was \$97,853 and is included as a component of interest expense.

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2014 for debt service (principal and interest) are as follows:

**MARSHALL COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2014

**NOTE F – GENERAL LONG-TERM OBLIGATIONS – CONTINUED**

Year	<b>Marshall County School District</b>		<b>Kentucky School Facility Construction Commission</b>		Total
	Principal	Interest	Principal	Interest	
2014-2015	\$ 1,127,320	\$ 453,867	\$ 157,680	\$ 86,840	\$ 1,825,707
2015-2016	1,162,057	414,498	163,943	80,835	1,821,333
2016-2017	1,211,496	371,810	169,504	74,512	1,827,322
2017-2018	1,245,669	326,521	176,331	67,906	1,816,427
2018-2019	1,319,094	278,663	163,906	60,970	1,822,633
2019-2020	1,349,242	248,740	169,758	55,266	1,823,006
2020-2021	1,379,156	216,451	175,844	49,292	1,820,743
2021-2022	1,413,884	183,435	182,116	43,096	1,822,531
2022-2023	1,443,360	147,834	188,640	36,611	1,816,445
2023-2024	1,472,632	111,562	195,368	29,887	1,809,449
2024-2025	568,403	72,725	150,597	22,853	814,578
2025-2026	593,539	49,989	156,461	16,920	816,909
2026-2027	618,322	25,506	162,678	10,597	817,103
2027-2028	0	0	32,000	4,024	36,024
2028-2029	0	0	33,000	2,846	35,846
2029-2030	0	0	34,000	1,631	35,631
2030-2031	0	0	28,000	508	28,508
	<u>\$ 14,904,174</u>	<u>\$ 2,901,601</u>	<u>\$ 2,339,826</u>	<u>\$ 644,594</u>	<u>\$ 20,790,195</u>

In July, 2013, the District financed the purchase of wireless infrastructure through a capital lease. The interest rate on the lease is 1.8% and the lease terms specify an annual payment of \$72,431 beginning July 29, 2013. The final payment is due July 29, 2017. Scheduled payments for the lease are as follows:

Year	Principal	Interest	Total
2014-2015	\$ 67,443	\$ 4,988	\$ 72,431
2015-2016	68,657	3,775	72,432
2016-2017	69,892	2,539	72,431
2017-2018	71,150	1,281	72,431
	<u>\$ 277,142</u>	<u>\$ 12,583</u>	<u>\$ 289,725</u>

As discussed in Note P, the District has signed an installment payment agreement with the Kentucky Department of Insurance to finance an assessment for workers compensation in the amount of \$174,973. The District agreed to pay 25% (\$43,743) by August 31, 2014 and the remainder will be paid in equal annual installments of \$21,872, beginning August 15, 2015 through August 15, 2020. The agreement does not bear interest, unless payments are not made when due. In the event a payment is not paid when due, the past due payment will accrue interest at 12% until paid.

Interest incurred and charged to expense for fiscal year ended June 30, 2014 was \$671,193.

A summary of changes in long-term debt is as follows:

	Balance June 30, 2013	Increase	Decrease	Balance June 30, 2014	Due Within One Year
Bonds payable	\$ 18,493,000	\$ 0	\$ 1,249,000	\$ 17,244,000	\$ 1,285,000
Less: Unamortized discounts	(214,650)	0	(21,505)	(193,145)	(21,505)
Capital lease payable	0	349,573	72,431	277,142	67,443
KSBIT payable	174,973	0	0	174,973	43,743
Sick leave	655,630	0	4,207	651,423	108,136
Totals	<u>\$ 19,108,953</u>	<u>\$ 349,573</u>	<u>\$ 1,304,133</u>	<u>\$ 18,154,393</u>	<u>\$ 1,482,817</u>

**MARSHALL COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2014

**NOTE G – RETIREMENT PLANS**

***Plan Descriptions***

The Marshall County School District contributes to the Teachers' Retirement System of Kentucky (KTRS) and the County Employee's Retirement System (CERS), both cost-sharing, multiple employer defined benefit pension plans. Certified employees are covered under KTRS and substantially all other employees (classified employees) are covered under CERS. Both plans administer retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems and other public educational agencies in Kentucky. KTRS requires that members of KTRS occupy a position requiring either a four (4) year college degree or certification by Kentucky Department of Education (KDE). Job classifications that permit experience to substitute for either of these requirements do not participate in KTRS.

The Kentucky Revised Statutes provided for the establishment of both systems and benefit amendments are authorized by the State legislature. KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). Each plan issues a publicly available financial report that includes financial statements and required supplementary information for that plan. The KTRS report can be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, KY 40601 or from the KTRS website at <http://ktrs.ky.gov/>. The CERS report can be obtained by writing to Kentucky Employee's Retirement System, Perimeter Park West, 1260 Louisville Road, Frankfort, KY 40601.

***Funding Policy***

Contribution rates are established by KRS. Members of KTRS are required to contribute 11.355% of their salaries to KTRS. The Commonwealth of Kentucky is required to contribute 13.105% of salaries for members in a state retirement system before July 1, 2008 and 14.105% of salaries for members who started their account after July 1, 2008. The federal program for any salaries paid by that program pays the matching contribution of 14.105%. Plan members of CERS are required to contribute 5% of their annual covered salary, and the Marshall County School District provides a contribution of 18.89% of that salary. For employees hired on September 1, 2008, or thereafter, an additional 1% must be contributed to a health insurance account.

***Medical Insurance Plan***

*Plan description* – In addition to the pension benefits described above, Kentucky Revised Statute 161.675 requires KTRS to provide access to post-employment healthcare benefits to eligible members and dependents. The KTRS Medical Insurance benefit is a cost-sharing multiple employer defined benefit plan. Changes made to the medical plan may be made by the KTRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

To be eligible for medical benefits, the member must have retired either for service or disability. The KTRS Medical Insurance Fund offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the KTRS Medicare Eligible Health Plan.

*Funding policy* – In order to fund the post-retirement healthcare benefit, active member contributions are matched by the state at .75% of members' gross salaries. Member contributions are 1.5% of salary. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan. Additionally, under the Shared Responsibility Plan, the local school district employers pay 1.5% of members' salary for the 2013-2014 fiscal year.

**MARSHALL COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2014

**NOTE G – RETIREMENT PLANS – CONTINUED**

The Marshall County School District's total payroll for the year was \$25,398,780. The payroll for employees covered under KTRS was \$19,790,966 and for CERS was \$5,142,164. For the year ended June 30, 2014, the Commonwealth contributed \$2,448,327 to KTRS for the benefit of participating employees. The District's contribution to KTRS for the year ended June 30, 2014, was \$200,209, which represents those employees covered by federal programs. The contributions required and paid to KTRS by the District for the years ended June 30, 2013 and 2012 were \$196,752 and \$202,581 respectively. The contribution requirement and the amount contributed to CERS for the year ended June 30, 2014 was \$1,230,620 which consisted of \$973,511 from the Board and \$257,109 from the employees. The contributions required and paid to CERS for the years ended June 30, 2013 and 2012 were \$1,265,183 and \$1,298,133, respectively.

The District also offers employees the option to participate in a defined contribution plan under Section 403(B), 401(K) and 457 of the Internal Revenue Code. All regular full-time and part-time employees are eligible to participate and may contribute up to the maximum amount allowable by law. The District does not contribute to these plans.

**NOTE H – BENEFITS FUNDED BY KENTUCKY STATE DEPARTMENT OF EDUCATION**

The Kentucky Department of Education has indicated the following amounts were contributed on-behalf of the District for the year ended June 30, 2014:

Contributions to Kentucky Teachers' Retirement System	\$ 2,448,327
Technology	54,662
SFCC Debt Service	244,228
Health insurance, life insurance, flexible spending accounts (includes administrative fee)	<u>4,771,869</u>
Total	<u>\$ 7,519,086</u>

These payments are recorded in the General, Debt Service, and Food Service Funds as revenues and expenditures. The District is not legally responsible for these contributions. These payments are not required to be budgeted by the District.

On-behalf contributions were charged to governmental functions as follows:

Instruction	\$ 5,044,025
Support services:	
Student	356,679
Instructional staff	238,269
District administration	71,480
School administration	453,429
Business	201,954
Plant operations and maintenance	361,008
Student transportation	298,916
Debt service	244,228
Food services	<u>249,098</u>
Total	<u>\$ 7,519,086</u>

**MARSHALL COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2014

**NOTE I – COMMITMENTS AND CONTINGENCIES**

The District receives funding from federal, state and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if the grantor's review indicates that the funds have not been used for the intended purpose, the grantor may request a refund of monies advanced or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

In addition, the District operates in a heavily regulated environment. The operations of the District are subject to the administrative directives, rules and regulations of federal and state regulatory agencies, including, but not limited to, the U.S. Department of Education and the Kentucky Department of Education. Such administrative directives, rules and regulations are subject to change by an act of Congress of the Kentucky Legislature or an administrative change mandated by the Kentucky Department of Education. Such changes may occur with little or inadequate funding to pay for the related cost, including the additional burden to comply with a change.

**NOTE J – INSURANCE AND RISK MANAGEMENT**

The District is exposed to various risks of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated including workers' compensation insurance. Premiums for these policies are based upon the District's experience to date.

Employees of the District were covered by the District's dental and vision self-insurance plan (the "Plan"). The District contributed \$25.86 per month per employee to the Plan and employees, at their option, authorized payroll withholdings to pay contributions for dependents. Claims were paid by a third party administrator acting on behalf of the District. The administrative contract between the District and the third party administrator is renewable annually and administrative fees are included in the contractual provisions. The costs associated with this self-insurance plan are reported as interfund transactions to the extent of amounts determined to be needed to fund the plan based on past history. Accordingly, they are treated as operating revenues of the Internal Service Fund and operating expenditures of the General, Special Revenue and Proprietary Funds. The liabilities of the Plan are based on estimated claims incurred but not yet reported to the third party administrator.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE K - COBRA**

Under the *Consolidated Omnibus Reconciliation Act* ("COBRA"), employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the District at risk for a substantial loss (contingency).

**MARSHALL COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2014

**NOTE L – COMMITMENTS FOR SCHOOL CONSTRUCTION**

At the March, 2014 board meeting, a BG-1 form for the new middle school was approved at a total cost of \$21,600,489. Approximately \$20,620,000 of the cost will be financed through the sale of bonds. As of June 30, 2014, the only amounts paid on this project have been for architect and engineering services in the amount of \$145,032, which is included in construction in progress. At the May, 2014 board meeting, a BG-1 form for the replacement of the boiler at MCHS was approved at a total cost of \$340,000. Subsequent to fiscal year end, a contract was signed with the contractor of the project in the amount of \$201,700 and with the architect/engineering firm in the amount of \$30,500. At the June, 2014 board meeting, a BG-1 form for softball and baseball bleachers at MCHS was approved at an estimated cost of \$185,105. Subsequent to fiscal year end, a contract was signed with the architect that is based on a percentage of construction costs.

**NOTE M - TRANSFER OF FUNDS**

Although each fund is its own distinct reporting entity, amounts may be transferred from one fund to another fund. The most common reasons for interfund transfers are for debt service payments and grant matching requirements. Interfund transfers are eliminated in the government-wide financial statements. The following transfers were made during the year:

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Matching	General	Special Revenue	Technology Match	\$ 67,757
Operating	Capital Outlay	Debt Service	Debt Service	423,483
Operating	FSPK	Debt Service	Debt Service	1,081,040

**NOTE N – INTERFUND RECEIVABLES AND PAYABLES**

Each fund is a separate fiscal and accounting entity, and thus interfund transactions are recorded in each fund affected by a transaction. Interfund receivables and payables for the District arise generally from disbursements being made from a checking account that is used for the general fund, special revenue fund, capital projects funds, and food service funds. When payments are made from the checking account, the amount reduces cash in the general fund, which may not have the legal liability for the expenditures; thus an interfund payable from the fund having the legal liability is established at such time, with a corresponding interfund receivable recorded in the general fund. Typically, interfund receivables and payables are resolved monthly; however, certain balances remained at June 30, 2014, which consisted of the following individual fund receivables and payables:

	<u>Receivables</u>	<u>Payables</u>
General Fund:		
Special Revenue Fund	\$ 20,622	\$ 0
Agency Fund	2,225	0
Special Revenue Fund:		
General Fund	0	20,622
Agency Fund:		
General Fund	0	2,225

**NOTE O – LITIGATION**

The District is subject to various legal actions in various stages of litigation, the outcome of which is not determinable at this time. Management of the District and its legal counsel do not anticipate that there will be any material effect on the combined financial statements as a result of the cases presently in progress.

**MARSHALL COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2014

**NOTE P – PRIOR PERIOD ADJUSTMENTS**

GASB Statement 65 required changes to the beginning balances of the District-Wide Statement of Net Position. Beginning net position of the governmental activities was decreased by \$130,056 to eliminate bond issuance costs, which had been capitalized and amortized on previous statements.

The District previously participated in the Kentucky School Boards Insurance Trust (KSBIT) public entity risk pool. In January, 2013, officials for KSBIT announced the dissolution of the trust, as well as their plans to collect the accumulated deficit by assessing each of the school districts that procured general liability, property, and workers compensation insurance coverage from KSBIT in the deficit years. Any school district which was a policy holder in the workers compensation pool from 1990 to 2011, and any district which was a policy holder in the property and general liability pool from 1993 to 2011, were subject to the assessment. The formula for the assessment was based upon the school district's length of service in KSBIT, the premiums paid, and the numbers of claims made that were attributable to the school district. As of June 30, 2013, KSBIT had submitted a plan to the Kentucky Department of Insurance using a novation option, under which a highly rated reinsurer would assume all of the liabilities of KSBIT and its members for claims for a set amount and would continue making claims payments. The Kentucky Department of Insurance had not approved the plan as of June 30, 2013 and until the plan was approved, no assessment was finalized and no amount was accrued in the financial statements. Subsequent to June 30, 2014, the Board was notified of the assessment amount of \$174,973 and signed an agreement to pay 25% by August 31, 2014, with the remainder to be paid in equal payments over a six year period beginning August 15, 2015. Beginning net position of the governmental activities was decreased by \$174,973 to record this liability as a prior period adjustment.

Net Position, Beginning of Year, as Originally Stated	\$27,754,732
Adjustments for Prior Period:	
Implementation of GASB 65, elimination of bond issuance costs	(130,056)
Record KSBIT assessment as long-term liability	<u>(174,973)</u>
Net Position, Beginning of year, as Restated	<u>\$27,449,703</u>

## **REQUIRED SUPPLEMENTARY INFORMATION**



MARSHALL COUNTY SCHOOL DISTRICT  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND**  
For the Year Ended June 30, 2014

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
<b>REVENUES:</b>				
From Local Sources:				
Taxes:				
Property	\$ 6,651,605	\$ 6,978,997	\$ 7,028,707	\$ 49,710
Motor Vehicle	1,048,000	1,085,120	1,134,149	49,029
Utilities	3,165,000	3,165,000	3,490,665	325,665
Occupational license tax	1,700,000	2,050,000	2,056,365	6,365
In Lieu of	1,650,000	1,595,000	1,629,389	34,389
Tuition	1,933	1,933	0	(1,933)
Earnings on Investments	93,000	130,000	132,691	2,691
Other local revenues	151,500	136,941	118,731	(18,210)
Intergovernmental - State	21,614,296	21,611,315	21,562,175	(49,140)
Intergovernmental - indirect federal	80,000	167,000	164,784	(2,216)
<b>TOTAL REVENUES</b>	<b>36,155,334</b>	<b>36,921,306</b>	<b>37,317,656</b>	<b>396,350</b>
<b>EXPENDITURES:</b>				
Current:				
Instruction	23,243,014	22,883,015	22,401,947	481,068
Support Services:				
Student	1,731,484	1,738,632	1,774,343	(35,711)
Instructional Staff	1,054,609	1,053,983	1,026,198	27,785
District Administration	1,406,569	1,779,981	1,667,983	111,998
School Administration	2,106,657	2,137,779	2,073,136	64,643
Business	973,694	957,469	890,547	66,922
Plant operations and maintenance	4,697,862	4,500,909	4,274,343	226,566
Student transportation	2,961,711	2,579,039	2,590,734	(11,695)
Food services	6,886	6,886	10,382	(3,496)
Community services	37,105	37,105	42,382	(5,277)
Debt service	6,625	6,625	0	6,625
Contingency	2,307,870	4,095,046	0	4,095,046
<b>TOTAL EXPENDITURES</b>	<b>40,534,086</b>	<b>41,776,469</b>	<b>36,751,995</b>	<b>5,024,474</b>
Excess (deficit) of revenues over expenditures	<b>(4,378,752)</b>	<b>(4,855,163)</b>	<b>565,661</b>	<b>5,420,824</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale or comp for loss of assets	13,000	23,000	27,974	4,974
Operating transfers out	(192,219)	(67,219)	(67,757)	(538)
<b>TOTAL OTHER FINANCING     SOURCES (USES)</b>	<b>(179,219)</b>	<b>(44,219)</b>	<b>(39,783)</b>	<b>4,436</b>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	<b>(4,557,971)</b>	<b>(4,899,382)</b>	<b>525,878</b>	<b>5,425,260</b>
<b>Fund Balance, July 1, 2013</b>	<b>4,557,971</b>	<b>4,899,382</b>	<b>6,310,742</b>	<b>1,411,360</b>
<b>Fund Balance, June 30, 2014</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 6,836,620</b>	<b>\$ 6,836,620</b>

See independent auditor's report and accompanying notes to financial statements

NOTE: The on-behalf payments of \$7,025,760 from the state are included in both revenues and expenditures in the actual column. While these payments were not required to be budgeted, the district did budget an amount of \$7,067,926 in both revenues and expenditures.

MARSHALL COUNTY SCHOOL DISTRICT  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL - SPECIAL REVENUE FUND**  
For the Year Ended June 30, 2014

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
<b>REVENUES:</b>				
From Local Sources:				
Earnings on Investments	\$ (1,195)	\$ 0	\$ 2,876	\$ 2,876
Other local revenues	(32,220)	0	33,382	33,382
Intergovernmental - State	1,463,366	1,428,286	1,556,781	128,495
Intergovernmental - Indirect federal	2,391,166	2,260,153	2,268,837	8,684
<b>TOTAL REVENUES</b>	<b>3,821,117</b>	<b>3,688,439</b>	<b>3,861,876</b>	<b>173,437</b>
<b>EXPENDITURES:</b>				
Current:				
Instruction	3,434,037	3,214,092	3,382,353	(168,261)
Support Services:				
Student support services	0	7,929	12,462	(4,533)
Instructional Staff	101,570	118,975	111,570	7,405
District admin support	29,091	32,170	29,559	2,611
Student transportation	62,562	126,228	128,719	(2,491)
Community service activities	261,076	262,043	263,592	(1,549)
<b>TOTAL EXPENDITURES</b>	<b>3,888,336</b>	<b>3,761,437</b>	<b>3,928,255</b>	<b>(166,818)</b>
Excess (deficit) of revenues over expenditures	(67,219)	(72,998)	(66,379)	6,619
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers in	67,219	67,776	67,757	(19)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>67,219</b>	<b>67,776</b>	<b>67,757</b>	<b>(19)</b>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	0	(5,222)	1,378	6,600
<b>Fund Balance, July 1, 2013</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Fund Balance, June 30, 2014</b>	<b>\$ 0</b>	<b>\$ (5,222)</b>	<b>\$ 1,378</b>	<b>\$ 6,600</b>

See independent auditor's report and accompanying notes to financial statements

## **OTHER SUPPLEMENTARY INFORMATION**

MARSHALL COUNTY SCHOOL DISTRICT  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
June 30, 2014

	SEEK Capital Outlay Fund	Construction Fund	Debt Service Fund	Total Nonmajor Governmental Funds
<b>ASSETS AND RESOURCES:</b>				
Cash and cash equivalents	\$ 138,219	\$ 84,275	\$ 16,658	\$ 239,152
<b>TOTAL ASSETS AND RESOURCES</b>	<u>\$ 138,219</u>	<u>\$ 84,275</u>	<u>\$ 16,658</u>	<u>\$ 239,152</u>
<b>LIABILITIES AND FUND BALANCE:</b>				
<b>LIABILITIES:</b>				
Accounts payable	\$ 0	\$ 0	\$ 0	\$ 0
<b>TOTAL LIABILITIES</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>EQUITY AND FUND BALANCES:</b>				
Restricted				
Construction projects	138,219	84,275	0	222,494
Debt service	0	0	16,658	16,658
<b>TOTAL FUND BALANCES</b>	<u>138,219</u>	<u>84,275</u>	<u>16,658</u>	<u>239,152</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 138,219</u>	<u>\$ 84,275</u>	<u>\$ 16,658</u>	<u>\$ 239,152</u>

See independent auditor's report and accompanying notes to financial statements

MARSHALL COUNTY SCHOOL DISTRICT  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
For the Year Ended June 30, 2014

	SEEK Capital Outlay Fund	Construction Fund	Debt Service Fund	Total Nonmajor Governmental Funds
REVENUES:				
From Local Sources:				
Earnings on Investments	\$ 0	\$ 3,351	\$ 212	\$ 3,563
Intergovernmental - State	423,483	0	244,228	667,711
TOTAL REVENUES	<u>423,483</u>	<u>3,351</u>	<u>244,440</u>	<u>671,274</u>
EXPENDITURES:				
Facilities acquisition and construction	0	145,032	0	145,032
Debt service	0	0	1,830,131	1,830,131
TOTAL EXPENDITURES	<u>0</u>	<u>145,032</u>	<u>1,830,131</u>	<u>1,975,163</u>
Excess (deficit) of revenues over expenditures	<u>423,483</u>	<u>(141,681)</u>	<u>(1,585,691)</u>	<u>(1,303,889)</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	0	0	1,504,523	1,504,523
Operating transfers out	(423,483)	0	0	(423,483)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(423,483)</u>	<u>0</u>	<u>1,504,523</u>	<u>1,081,040</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	0	(141,681)	(81,168)	(222,849)
Fund Balance, July 1, 2013	<u>138,219</u>	<u>225,956</u>	<u>97,826</u>	<u>462,001</u>
Fund Balance, June 30, 2014	<u>\$ 138,219</u>	<u>\$ 84,275</u>	<u>\$ 16,658</u>	<u>\$ 239,152</u>

See independent auditor's report and accompanying notes to financial statements

**MARSHALL COUNTY SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**DEBT SERVICE FUNDS**  
For the Year Ended June 30, 2014

	2003 BONDS FUND	2004 BONDS FUND	2007 BONDS FUND	2008 BONDS FUND	2010 BONDS FUND	2011 BONDS FUND	NOW ACCOUNT	Totals Debt service Fund
<b>REVENUES:</b>								
From local sources:								
Earnings on investments	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 212	\$ 212
Intergovernmental - State	0	38,633	137,109	19,545	35,802	13,139	0	244,228
<b>TOTAL REVENUES</b>	<u>0</u>	<u>38,633</u>	<u>137,109</u>	<u>19,545</u>	<u>35,802</u>	<u>13,139</u>	<u>212</u>	<u>244,440</u>
<b>EXPENDITURES:</b>								
Debt Service:								
Principal	80,000	520,000	95,000	405,000	19,000	130,000	0	1,249,000
Interest	1,380	135,462	137,237	67,312	16,802	222,938	0	581,131
<b>TOTAL EXPENDITURES</b>	<u>81,380</u>	<u>655,462</u>	<u>232,237</u>	<u>472,312</u>	<u>35,802</u>	<u>352,938</u>	<u>0</u>	<u>1,830,131</u>
Excess (deficit) of revenues over expenditures	<u>(81,380)</u>	<u>(616,829)</u>	<u>(95,128)</u>	<u>(452,767)</u>	<u>0</u>	<u>(339,799)</u>	<u>212</u>	<u>(1,585,691)</u>
<b>OTHER FINANCING SOURCES (USES):</b>								
Operating transfers in	0	616,829	95,128	452,767	0	339,799	0	1,504,523
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>0</u>	<u>616,829</u>	<u>95,128</u>	<u>452,767</u>	<u>0</u>	<u>339,799</u>	<u>0</u>	<u>1,504,523</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	<u>(81,380)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>212</u>	<u>(81,168)</u>
Fund balance July 1, 2013	<u>81,380</u>	<u>548</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>15,898</u>	<u>97,826</u>
Fund balance June 30, 2014	<u>\$ 0</u>	<u>\$ 548</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 16,110</u>	<u>\$ 16,658</u>

See independent auditor's report and accompanying notes to financial statements

MARSHALL COUNTY SCHOOL DISTRICT  
**COMBINING BALANCE SHEET--SCHOOL ACTIVITY FUNDS**  
June 30, 2014

	Benton Elementary	Calvert Elementary	Central Elementary	Jonathan Elementary	Sharpe Elementary
ASSETS:					
Cash and cash equivalents	\$ 48,967	\$ 25,750	\$ 9,150	\$ 32,424	\$ 12,613
Accounts Receivable	61	995	1,413	0	972
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL ASSETS	<u>\$ 49,028</u>	<u>\$ 26,745</u>	<u>\$ 10,563</u>	<u>\$ 32,424</u>	<u>\$ 13,585</u>
LIABILITIES:					
Accounts Payable	\$ 1,049	\$ 611	\$ 686	\$ 13	\$ 3,914
Due to Governmental Funds	0	0	0	0	0
Due to Student Groups	47,979	26,134	9,877	32,411	9,671
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL LIABILITIES	<u>\$ 49,028</u>	<u>\$ 26,745</u>	<u>\$ 10,563</u>	<u>\$ 32,424</u>	<u>\$ 13,585</u>
NET POSITION HELD IN TRUST	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

See independent auditor's report and accompanying notes to financial statements

South Elementary	Benton Middle	North Middle	South Middle	Marshall County High School	Marshall County Technical Center	Totals (Memorandum Only)
\$ 14,656 16	\$ 17,452 565	\$ 35,952 97	\$ 24,901 0	\$ 422,610 4,541	\$ 64,592 0	\$ 709,067 8,660
<u>\$ 14,672</u>	<u>\$ 18,017</u>	<u>\$ 36,049</u>	<u>\$ 24,901</u>	<u>\$ 427,151</u>	<u>\$ 64,592</u>	<u>\$ 717,727</u>
\$ 114 0 14,558	\$ 1,852 0 16,165	\$ 38 0 36,011	\$ 1,187 0 23,714	\$ 5,041 2,225 419,885	\$ 0 0 64,592	\$ 14,505 2,225 700,997
<u>\$ 14,672</u>	<u>\$ 18,017</u>	<u>\$ 36,049</u>	<u>\$ 24,901</u>	<u>\$ 427,151</u>	<u>\$ 64,592</u>	<u>\$ 717,727</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>



MARSHALL COUNTY SCHOOL DISTRICT  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN DUE TO STUDENT GROUPS**  
**SCHOOL ACTIVITY FUNDS**  
For the Year Ended June 30, 2014

	Benton Elementary	Calvert Elementary	Central Elementary	Jonathan Elementary	Sharpe Elementary
REVENUES:					
From local sources:					
Earnings on Investments	\$ 722	\$ 477	\$ 53	\$ 576	\$ 205
Student activities	<u>100,272</u>	<u>51,046</u>	<u>64,059</u>	<u>50,024</u>	<u>65,606</u>
Total Revenues	<u>100,994</u>	<u>51,523</u>	<u>64,112</u>	<u>50,600</u>	<u>65,811</u>
EXPENDITURES					
Student Activities	<u>87,910</u>	<u>63,819</u>	<u>63,397</u>	<u>54,316</u>	<u>63,914</u>
Total expenditures	<u>87,910</u>	<u>63,819</u>	<u>63,397</u>	<u>54,316</u>	<u>63,914</u>
Excess (deficit) of revenues over expenditures	13,084	(12,296)	715	(3,716)	1,897
Due to student groups, July 1, 2013	34,895	38,430	9,162	36,127	7,774
Due to student groups, June 30, 2014	<u>\$ 47,979</u>	<u>\$ 26,134</u>	<u>\$ 9,877</u>	<u>\$ 32,411</u>	<u>\$ 9,671</u>

See independent auditor's report and accompanying notes to financial statements

South Elementary	Benton Middle	North Middle	South Middle	Marshall County High School	Marshall County Technical Center	Totals (Memorandum only)
\$ 209	\$ 408	\$ 627	\$ 409	\$ 6,825	\$ 946	\$ 11,457
54,192	86,463	104,484	70,919	703,168	97,969	1,448,202
54,401	86,871	105,111	71,328	709,993	98,915	1,459,659
44,682	92,553	100,785	64,237	737,592	94,568	1,467,773
44,682	92,553	100,785	64,237	737,592	94,568	1,467,773
9,719	(5,682)	4,326	7,091	(27,599)	4,347	(8,114)
4,839	21,847	31,685	16,623	447,484	60,245	709,111
\$ 14,558	\$ 16,165	\$ 36,011	\$ 23,714	\$ 419,885	\$ 64,592	\$ 700,997

**MARSHALL COUNTY SCHOOL DISTRICT**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS AND DUE TO STUDENT GROUPS**  
**MARSHALL COUNTY HIGH SCHOOL**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	<b>Cash Balance</b>	<b>Receipts</b>		<b>Disbursements</b>	
	<b>July 1, 2013</b>	<b>Actual</b>	<b>Budget</b>	<b>Actual</b>	<b>Budget</b>
Student Fees	\$ 3,162.36	\$ 24,269.02	\$ 23,200.00	\$ 19,141.12	\$ 17,600.00
Interest	124,600.87	76,607.52	61,400.00	37,419.57	53,700.00
MC Mason Benefit Fund	2,150.71	1,343.80	1,000.00	2,509.90	1,100.00
Student Activity	215.78	6,042.90	1,550.00	5,919.65	1,500.00
Student Incentive	150.00	0.00	0.00	150.00	0.00
Academic Celebration	24.96	0.00	0.00	24.96	0.00
Student Benefit Fund	394.47	329.90	150.00	248.24	150.00
Student ID Fund	1,873.29	693.40	1,100.00	1,098.00	1,000.00
Book Fees	50,079.15	23,814.25	21,200.00	70,318.04	29,900.00
Parking	1,589.75	1,515.00	1,500.00	1,012.81	650.00
Academic	1,801.34	6,050.00	5,600.00	3,560.03	5,600.00
Administration	254.14	453.19	300.00	534.58	225.00
Beta/NHS Club	2,448.48	956.05	800.00	251.66	1,210.00
Business Management	61.13	0.00	0.00	61.13	0.00
Card Mania Club	4.51	57.00	50.00	0.00	40.00
Club Interact	92.36	342.60	100.00	71.66	100.00
Dream Green	342.60	0.00	0.00	342.60	0.00
Drama Club	5,971.65	490.00	2,000.00	130.72	1,900.00
Drama Musical	6,266.29	4,628.88	0.00	5,177.03	0.00
FEA Club	2,787.28	0.00	0.00	1,000.00	250.00
FBLA	1,611.60	11,183.36	8,075.00	10,267.54	6,550.00
Functional Living	0.00	2,221.72	2,221.72	335.12	486.00
FFA	20,405.46	30,431.71	20,500.00	30,706.21	22,500.00
Hometown Scholarship	3,019.76	0.00	0.00	3,019.76	0.00
French Club	11.34	0.00	1,050.00	0.00	800.00
Marshall Girls	2,098.17	14,442.77	9,900.00	11,485.37	10,500.00
Marshall Militia (Pep)	3,334.43	8,507.00	7,000.00	11,012.56	7,500.00
Science Olympiad	951.36	2,900.00	2,900.00	2,496.68	1,582.38
Spanish Club	613.90	372.00	370.00	442.37	350.00
Student Council	194.53	817.71	700.00	678.54	700.00
TSA	0.00	2,100.00	1,400.00	2,012.94	1,100.00
Agriculture	0.00	8,765.85	1,500.00	2,492.44	1,500.00
Technology Fund	568.91	98.80	112.00	0.00	0.00
Art II	646.25	3,169.00	3,900.00	2,887.83	3,900.00
Art I	201.25	3,839.00	3,600.00	3,624.71	3,700.00
The Bass Club	2,060.70	1,688.27	1,720.00	1,579.46	1,720.00
Band	134.16	3,707.39	2,250.00	1,453.14	600.00
Internet Fund	1,705.25	0.00	0.00	1,705.25	0.00
History/Govt. Trip	1,399.96	15,340.00	16,000.00	15,351.47	15,455.00
FCCLA	20,228.60	21,249.18	17,260.00	21,909.61	15,610.00
Go Club	189.80	0.00	0.00	189.80	0.00
Journalism	210.17	0.00	0.00	210.17	0.00
JCA	377.84	45.00	0.00	221.54	221.54
Library Dept.	739.09	2,949.56	1,500.00	1,941.47	1,600.00
Leadership Dynamics	417.54	0.00	200.00	58.98	500.00
Speech Team	888.72	5,248.00	2,500.00	6,063.49	2,500.00
MC Special Olympics	288.30	515.00	525.00	667.77	420.00
Music/Choir	1,323.55	2,082.90	3,125.00	2,841.59	2,311.00
Mountain Biking Club	0.00	10,883.50	11,000.00	10,438.14	10,500.00
Mock Trial	660.00	0.00	0.00	660.00	0.00
TV Studio	10.00	0.00	0.00	10.00	0.00
Young Americans	313.08	0.00	150.00	0.00	140.00
Young Democrats	147.65	0.00	0.00	147.65	0.00
One Chance Club	5.37	0.00	0.00	5.37	0.00
Write Now Club	6.60	0.00	0.00	6.60	0.00
Real World Publishing	3,958.55	3,982.42	1,675.00	732.93	1,200.00
Sball Maint. Account	3,470.00	0.00	0.00	0.00	2,500.00
Cheer Regional	123.77	0.00	0.00	(985.25)	0.00
Sub-total this page	276,586.78	304,133.65	241,083.72	295,642.95	231,370.92

**MARSHALL COUNTY SCHOOL DISTRICT**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS AND DUE TO STUDENT GROUPS**  
**MARSHALL COUNTY HIGH SCHOOL**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	<b>Cash Balance</b>	<b>Receipts</b>		<b>Disbursements</b>	
	<b>July 1, 2013</b>	<b>Actual</b>	<b>Budget</b>	<b>Actual</b>	<b>Budget</b>
Athletic Scholarship	2,000.00	0.00	0.00	2,000.00	0.00
Bball District	2,801.66	16,094.00	0.00	10,390.02	0.00
Athletics	11,938.96	147,979.19	106,000.00	141,867.33	114,860.00
Athletics-Tennis (A)	1,071.68	730.00	700.00	1,103.77	1,100.00
Athletics-Boys Basketball (A)	582.53	12,150.86	6,450.00	6,957.18	3,678.42
Athletics-Volleyball (A)	4,499.68	3,578.44	1,180.00	3,999.99	3,700.00
Athletics-Girls Basketball (A)	11,618.48	17,548.53	27,100.00	17,306.54	30,300.00
Athletics-Boys Golf (A)	135.31	653.96	600.00	450.00	450.00
Athletics-Football (A)	227.79	1,825.76	1,922.79	1,548.98	1,900.00
Athletics-Baseball (A)	1,144.84	2,725.09	2,200.00	3,813.25	2,200.00
Athletics - Girls Soccer (A)	2,485.21	4,458.99	2,700.00	4,689.39	4,500.00
Athletics-Boys Soccer (A)	2,102.97	8,880.20	4,000.00	8,512.29	3,325.00
Athletics-Track (A)	228.23	1,069.95	225.00	184.55	225.00
Athletics - Softball (A)	930.81	1,717.85	1,100.00	2,000.00	2,000.00
Athletics-Cross Country (A)	2,309.48	399.94	300.00	26.00	2,000.00
Athletics - Hoop Fest	72,113.63	66,910.62	56,220.00	114,472.05	78,900.00
Athletics - Alliance Bowl	4,277.24	750.00	0.00	0.00	0.00
Athletics-B/G District Soccer	2,030.63	6,169.80	0.00	6,193.67	0.00
Athletics-Soccer Subsectional	1,931.75	3,422.66	0.00	2,556.74	0.00
Athletics-Girls Golf (A)	122.00	653.95	600.00	150.00	150.00
Athletics-Swim Fund (A)	229.37	100.00	100.00	0.00	100.00
Athletics - Baseball (B)	0.00	1,750.00	1,850.00	1,750.00	1,850.00
Athletics-Girls Basketball (B)	0.00	10,709.16	10,709.16	10,709.16	10,709.16
Athletics-Boys Basketball (B)	0.00	10,709.16	10,709.16	10,709.16	10,704.05
Athletics-Football (B)	0.00	22,427.55	19,927.55	22,427.55	19,927.55
Athletics - Golf (B)	0.00	750.00	750.00	750.00	750.00
Athletics-Girls Golf (B)	4.54	750.00	750.00	754.54	750.00
Athletics - Boys Soccer (B)	0.00	4,331.66	3,486.00	4,331.66	3,486.00
Athletics - Girls Soccer (B)	0.00	4,230.26	3,486.66	4,230.26	3,486.66
Athletics - Softball (B)	0.00	1,750.00	1,750.00	1,750.00	1,750.00
Athletics - Swim Team (B)	178.24	500.00	500.00	274.00	500.00
Athletics - Tennis (B)	0.00	700.00	700.00	544.24	175.00
Athletics - Volleyball (B)	1,059.14	1,540.00	1,540.00	2,257.00	2,540.00
Athletics-Track (B)	0.00	3,000.00	3,000.00	3,000.00	3,000.00
Athletics - Cross Country (B)	49.20	2,000.00	2,000.00	156.72	2,000.00
Cheerleaders	6,444.56	32,369.64	23,260.00	34,295.40	23,260.00
Cheer Spirit	2,719.31	6,361.79	5,050.00	9,081.10	5,000.00
Athletics - Middle School	1,136.41	1,200.00	1,200.00	1,440.02	1,050.00
Athletics - MS Football	817.26	7,660.00	8,477.26	8,476.66	8,477.26
Athletics - MS Soccer	49.88	4,537.36	4,440.00	4,587.24	4,100.00
Athletics - MS Softball	72.00	4,659.88	4,400.00	4,731.88	4,450.00
Athletics - MS Track	0.00	1,834.61	1,500.00	1,834.61	1,500.00
Athletics - MS Cross Country	70.00	1,320.00	1,320.00	345.00	1,390.00
Athletics - MS Volleyball	0.00	2,400.00	2,400.00	939.32	2,400.00
Junior/Senior Class	9,828.10	10,595.00	8,600.00	7,946.95	8,750.00
Project Graduation	2,921.44	365.00	0.00	3,286.44	0.00
Annual	4,655.18	40,820.00	24,000.00	43,907.63	21,000.00
Green Alliance	180.48	0.00	0.00	0.00	180.48
Guidance	6,284.63	29,043.23	16,406.00	28,573.15	16,060.00
Fine Arts Fund	6,856.33	585.00	500.00	230.00	100.00
Fine Arts Scholarship	5,746.02	0.00	0.00	1,500.00	1,000.00
Subtotal this page	173,854.97	506,719.09	374,109.58	543,041.44	409,734.58
Subtotal from previous page	276,586.78	304,133.65	241,083.72	295,642.95	231,370.92
Total Central Fund	450,441.75	810,852.74	615,193.30	838,684.39	641,105.50
Less: Interfund Transfers	0.00	96,621.59	0.00	96,621.59	0.00
Total	<u>\$ 450,441.75</u>	<u>\$ 714,231.15</u>	<u>\$ 615,193.30</u>	<u>\$ 742,062.80</u>	<u>\$ 641,105.50</u>

	<b>Cash Balance June 30, 2014</b>	<b>Accounts Receivable</b>	<b>Accounts Payable</b>	<b>Due to June 30, 2014</b>
Student Fees	\$ 8,290.26	\$ 205.00	\$ 0.00	\$ 8,495.26
Interest	163,788.82	0.00	1,397.96	162,390.86
MC Mason Benefit Fund	984.61	0.00	0.00	984.61
Student Activity	339.03	0.00	0.00	339.03
Student Incentive	0.00	0.00	0.00	0.00
Academic Celebration	0.00	0.00	0.00	0.00
Student Benefit Fund	476.13	0.00	0.00	476.13
Student ID Fund	1,468.69	420.00	0.00	1,888.69
Book Fees	3,575.36	2,373.00	75.00	5,873.36
Parking	2,091.94	0.00	0.00	2,091.94
Academic	4,291.31	0.00	0.00	4,291.31
Administration	172.75	0.00	0.00	172.75
Beta/NHS Club	3,152.87	0.00	0.00	3,152.87
Business Management	0.00	0.00	0.00	0.00
Card Mania Club	61.51	0.00	0.00	61.51
Club Interact	363.30	0.00	0.00	363.30
Dream Green	0.00	0.00	0.00	0.00
Drama Club	6,330.93	0.00	0.00	6,330.93
Drama Musical	5,718.14	0.00	0.00	5,718.14
FEA Club	1,787.28	0.00	0.00	1,787.28
FBLA	2,527.42	3.00	0.00	2,530.42
Functional Living	1,886.60	0.00	0.00	1,886.60
FFA	20,130.96	0.00	3,099.75	17,031.21
Hometown Scholarship	0.00	0.00	0.00	0.00
French Club	11.34	0.00	0.00	11.34
Marshall Girls	5,055.57	110.00	304.52	4,861.05
Marshall Militia (Pep)	828.87	0.00	0.00	828.87
Science Olympiad	1,354.68	0.00	467.84	886.84
Spanish Club	543.53	0.00	0.00	543.53
Student Council	333.70	0.00	0.00	333.70
TSA	87.06	0.00	0.00	87.06
Agriculture	6,273.41	0.00	0.00	6,273.41
Technology Fund	667.71	0.00	0.00	667.71
Art II	927.42	100.00	0.00	1,027.42
Art I	415.54	135.00	0.00	550.54
The Bass Club	2,169.51	0.00	0.00	2,169.51
Band	2,388.41	130.00	0.00	2,518.41
Internet Fund	0.00	0.00	0.00	0.00
History/Govt. Trip	1,388.49	0.00	0.00	1,388.49
FCCLA	19,568.17	0.00	0.00	19,568.17
Go Club	0.00	0.00	0.00	0.00
Journalism	0.00	0.00	0.00	0.00
JCA	201.30	0.00	0.00	201.30
Library Dept.	1,747.18	0.00	0.00	1,747.18
Leadership Dynamics	358.56	0.00	0.00	358.56
Speech Team	73.23	0.00	0.00	73.23
MC Special Olympics	135.53	0.00	0.00	135.53
Music/Choir	564.86	0.00	0.00	564.86
Mountain Biking Club	445.36	750.00	0.00	1,195.36
Mock Trial	0.00	0.00	0.00	0.00
TV Studio	0.00	0.00	0.00	0.00
Young Americans	313.08	0.00	0.00	313.08
Young Democrats	0.00	0.00	0.00	0.00
One Chance Club	0.00	0.00	0.00	0.00
Write Now Club	0.00	0.00	0.00	0.00
Real World Publishing	7,208.04	30.00	0.00	7,238.04
Sball Maint. Account	3,470.00	0.00	0.00	3,470.00
Cheer Regional	1,109.02	0.00	0.00	1,109.02
Sub-total this page	285,077.48	4,256.00	5,345.07	283,988.41

	<b>Cash Balance June 30, 2014</b>	<b>Accounts Receivable</b>	<b>Accounts Payable</b>	<b>Due to June 30, 2014</b>
Athletic Scholarship	0.00	0.00	0.00	0.00
Bball District	8,505.64	0.00	0.00	8,505.64
Athletics	18,050.82	284.75	0.00	18,335.57
Athletics-Tennis (A)	697.91	0.00	0.00	697.91
Athletics-Boys Basketball (A)	5,776.21	0.00	1,103.30	4,672.91
Athletics-Volleyball (A)	4,078.13	0.00	0.00	4,078.13
Athletics-Girls Basketball (A)	11,860.47	0.00	817.48	11,042.99
Athletics-Boys Golf (A)	339.27	0.00	0.00	339.27
Athletics-Football (A)	504.57	0.00	0.00	504.57
Athletics-Baseball (A)	56.68	0.00	0.00	56.68
Athletics - Girls Soccer (A)	2,254.81	0.00	0.00	2,254.81
Athletics-Boys Soccer (A)	2,470.88	0.00	0.00	2,470.88
Athletics-Track (A)	1,113.63	0.00	0.00	1,113.63
Athletics - Softball (A)	648.66	0.00	0.00	648.66
Athletics-Cross Country (A)	2,683.42	0.00	0.00	2,683.42
Athletics - Hoop Fest	24,552.20	0.00	0.00	24,552.20
Athletics - Alliance Bowl	5,027.24	0.00	0.00	5,027.24
Athletics-B/G District Soccer	2,006.76	0.00	0.00	2,006.76
Athletics-Soccer Subsectional	2,797.67	0.00	0.00	2,797.67
Athletics-Girls Golf (A)	625.95	0.00	0.00	625.95
Athletics-Swim Fund (A)	329.37	0.00	0.00	329.37
Athletics - Baseball (B)	0.00	0.00	0.00	0.00
Athletics-Girls Basketball (B)	0.00	0.00	0.00	0.00
Athletics-Boys Basketball (B)	0.00	0.00	0.00	0.00
Athletics-Football (B)	0.00	0.00	0.00	0.00
Athletics - Golf (B)	0.00	0.00	0.00	0.00
Athletics-Girls Golf (B)	0.00	0.00	0.00	0.00
Athletics - Boys Soccer (B)	0.00	0.00	0.00	0.00
Athletics - Girls Soccer (B)	0.00	0.00	0.00	0.00
Athletics - Softball (B)	0.00	0.00	0.00	0.00
Athletics - Swim Team (B)	404.24	0.00	0.00	404.24
Athletics - Tennis (B)	155.76	0.00	0.00	155.76
Athletics - Volleyball (B)	342.14	0.00	0.00	342.14
Athletics-Track (B)	0.00	0.00	0.00	0.00
Athletics - Cross Country (B)	1,892.48	0.00	0.00	1,892.48
Cheerleaders	4,518.80	0.00	0.00	4,518.80
Cheer Spirit	0.00	0.00	0.00	0.00
Athletics - Middle School	896.39	0.00	0.00	896.39
Athletics - MS Football	0.60	0.00	0.00	0.60
Athletics - MS Soccer	0.00	0.00	0.00	0.00
Athletics - MS Softball	0.00	0.00	0.00	0.00
Athletics - MS Track	0.00	0.00	0.00	0.00
Athletics - MS Cross Country	1,045.00	0.00	0.00	1,045.00
Athletics - MS Volleyball	1,460.68	0.00	0.00	1,460.68
Junior/Senior Class	12,476.15	0.00	0.00	12,476.15
Project Graduation	0.00	0.00	0.00	0.00
Annual	1,567.55	0.00	0.00	1,567.55
Green Alliance	180.48	0.00	0.00	180.48
Guidance	6,754.71	0.00	0.00	6,754.71
Fine Arts Fund	7,211.33	0.00	0.00	7,211.33
Fine Arts Scholarship	4,246.02	0.00	0.00	4,246.02
Subtotal this page	137,532.62	284.75	1,920.78	135,896.59
Subtotal from previous page	285,077.48	4,256.00	5,345.07	283,988.41
Total Central Fund	422,610.10	4,540.75	7,265.85	419,885.00
Less:Interfund Transfers	0.00	0.00	0.00	0.00
Total	<u>\$ 422,610.10</u>	<u>\$ 4,540.75</u>	<u>\$ 7,265.85</u>	<u>\$ 419,885.00</u>

MARSHALL COUNTY SCHOOL DISTRICT  
**COMBINING STATEMENT OF NET POSITION--ALL PRIVATE PURPOSE TRUST FUNDS**  
June 30, 2014

	Benton High Alumni	Don Buffington Memorial	Lola Collier	Coy Creason Memorial	John Draffen	Genoa Filbeck	Robert Glick Memorial	William Heath	Charles Hensley	J. Burnett Holland
ASSETS:										
Cash and cash equivalents	\$ 4,067	\$ 58,865	\$ 27,297	\$ 5,313	\$ 2,125	\$ 27,038	\$ 870	\$ 32,249	\$ 4,516	\$ 32,665
TOTAL ASSETS	<u>\$ 4,067</u>	<u>\$ 58,865</u>	<u>\$ 27,297</u>	<u>\$ 5,313</u>	<u>\$ 2,125</u>	<u>\$ 27,038</u>	<u>\$ 870</u>	<u>\$ 32,249</u>	<u>\$ 4,516</u>	<u>\$ 32,665</u>
NET POSITION HELD IN TRUST	<u>\$ 4,067</u>	<u>\$ 58,865</u>	<u>\$ 27,297</u>	<u>\$ 5,313</u>	<u>\$ 2,125</u>	<u>\$ 27,038</u>	<u>\$ 870</u>	<u>\$ 32,249</u>	<u>\$ 4,516</u>	<u>\$ 32,665</u>

See independent auditor's report and accompanying notes to financial statements

Holland Rose	W. & L. Holland Memorial	Landon Lovett Memorial	Steve Martin	Anthony McCarty	Mary Alice Newton	Andy Riley	Charlie & Cora Walker	North Marshall Alumni	Buddy Poe Memorial	Reed Vocational Technical	Totals (Memorandum Only)
\$ 3,046	\$ 105,877	\$ 6,328	\$ 7,575	\$ 78	\$ 520	\$ 7,441	\$ 6,200	\$ 1,113	\$ 3,823	\$ 0	\$ 337,006
<u>\$ 3,046</u>	<u>\$ 105,877</u>	<u>\$ 6,328</u>	<u>\$ 7,575</u>	<u>\$ 78</u>	<u>\$ 520</u>	<u>\$ 7,441</u>	<u>\$ 6,200</u>	<u>\$ 1,113</u>	<u>\$ 3,823</u>	<u>\$ 0</u>	<u>\$ 337,006</u>
<u>\$ 3,046</u>	<u>\$ 105,877</u>	<u>\$ 6,328</u>	<u>\$ 7,575</u>	<u>\$ 78</u>	<u>\$ 520</u>	<u>\$ 7,441</u>	<u>\$ 6,200</u>	<u>\$ 1,113</u>	<u>\$ 3,823</u>	<u>\$ 0</u>	<u>\$ 337,006</u>



MARSHALL COUNTY SCHOOL DISTRICT  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION HELD IN TRUST**  
**ALL PRIVATE PURPOSE TRUST FUNDS**  
For the Year Ended June 30, 2014

	Benton High Alumni	Don Buffington Memorial	Lola Collier	Coy Creason Memorial	John Draffen	Genoa Filbeck	Robert Glick Memorial	William Heath	Charles Hensley	J. Burnett Holland
REVENUES:										
From local sources:										
Earnings on Investments	\$ 52	\$ 796	\$ 351	\$ 70	\$ 9	\$ 346	\$ 12	\$ 418	\$ 60	\$ 407
Contributions	0	3,190	0	0	2,100	0	0	0	100	2,500
Total Revenues	52	3,986	351	70	2,109	346	12	418	160	2,907
EXPENDITURES										
Fundraising expenses	0	929	0	0	0	0	0	0	0	0
Benefits paid	0	500	500	500	1,000	0	300	750	500	1,000
Total expenditures	0	1,429	500	500	1,000	0	300	750	500	1,000
Excess (deficit) of revenues over expenditures	52	2,557	(149)	(430)	1,109	346	(288)	(332)	(340)	1,907
Net Position Held in Trust at July 1, 2013	4,015	56,308	27,446	5,743	1,016	26,692	1,158	32,581	4,856	30,758
Net Position Held in Trust at June 30, 2014	<u>\$ 4,067</u>	<u>\$ 58,865</u>	<u>\$ 27,297</u>	<u>\$ 5,313</u>	<u>\$ 2,125</u>	<u>\$ 27,038</u>	<u>\$ 870</u>	<u>\$ 32,249</u>	<u>\$ 4,516</u>	<u>\$ 32,665</u>

See independent auditor's report and accompanying notes to financial statements

Holland Rose	W. & L. Holland Memorial	Landon Lovett Memorial	Steve Martin	Anthony McCarty	Mary Alice Newton	Andy Riley	Charlie & Cora Walker	North Marshall Alumni	Buddy Poe Memorial	Reed Vocational Technical	Totals (Memorandum Only)
\$ 39 0	\$ 1,364 0	\$ 58 3,570	\$ 100 0	\$ 1 0	\$ 8 0	\$ 96 0	\$ 82 0	\$ 14 0	\$ 46 550	\$ 0 34,250	\$ 4,329 46,260
39	1,364	3,628	100	1	8	96	82	14	596	34,250	50,589
0	0	0	0	0	0	0	0	0	0	0	929
0	2,000	1,200	500	0	500	500	1,000	0	500	34,250	45,500
0	2,000	1,200	500	0	500	500	1,000	0	500	34,250	46,429
39	(636)	2,428	(400)	1	(492)	(404)	(918)	14	96	0	4,160
3,007	106,513	3,900	7,975	77	1,012	7,845	7,118	1,099	3,727	0	332,846
<u>\$ 3,046</u>	<u>\$ 105,877</u>	<u>\$ 6,328</u>	<u>\$ 7,575</u>	<u>\$ 78</u>	<u>\$ 520</u>	<u>\$ 7,441</u>	<u>\$ 6,200</u>	<u>\$ 1,113</u>	<u>\$ 3,823</u>	<u>\$ 0</u>	<u>\$ 337,006</u>

MARSHALL COUNTY SCHOOL DISTRICT  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended June 30, 2014

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass- Through Grantor's Number	Federal Expenditures
<b><u>U.S. Department of Education:</u></b>			
Passed Through State Dept. of Education:			
Special Education Grants to States	84.027	3810002-12 & 13	\$ 963,634
Special Education Preschool Grants	84.173	3800002-13	57,781
<b>Total Special Education Cluster</b>			<u>1,021,415</u>
Title I Grants to Local Educational Agencies	84.010	3100002-13, 12 & 11	804,051
<b>Total Title I, Part A Cluster</b>			<u>804,051</u>
Race to the Top	84.413	3960002-11	11,555
Improving Teacher Quality State Grants	84.367	3230002-13 & 12, 3230003-12	161,214
Career and Technical Education Basic Grants to States	84.048	3710002-13, 4621332-13, & 4621232-12	56,544
Passed through State Workforce Cabinet:			
Adult Education State Grant Program	84.002	3734, 3734S, 3733 & 3654	55,943
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<u><b>2,110,722</b></u>
<b><u>U.S. Department of Health &amp; Human Services:</u></b>			
Passed through Murray Board of Education:			
Head Start	93.600	6554	<u>158,303</u>
<b>TOTAL U.S. DEPARTMENT OF HEALTH &amp; HUMAN SERVICES</b>			<u><b>158,303</b></u>
<b><u>U.S. Department of Agriculture:</u></b>			
Passed through State Dept. of Education:			
National School Lunch Program - cash	10.555	7750002-14 & 13	1,126,774
National School Lunch Program - donated foods (Note B)	10.555	N/A	183,367
School Breakfast Program	10.553	7760005-14 & 13	384,149
<b>Total Child Nutrition Cluster</b>			<u>1,694,290</u>
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			<u><b>1,694,290</b></u>
<b>TOTAL FEDERAL ASSISTANCE</b>			<u><b>\$ 3,963,315</b></u>

See accompanying notes to schedule  
of expenditures of federal awards

## MARSHALL COUNTY SCHOOL DISTRICT

### NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2014

#### NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Marshall County School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

#### NOTE B – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed. Per USDA instructions, commodities expended are recorded at an amount equal to commodities received and the inventory at June 30, 2014 is combined with purchased food inventory. The pass-through number for the commodities program was not available for the Schedule of Expenditures of Federal Awards.

#### NOTE C – RECONCILIATION OF SCHEDULE TO FINANCIAL STATEMENTS

The following is a reconciliation of the total in the schedule of expenditures of federal awards to the total federal revenue included in the statement of revenues, expenditures and changes in fund balances – governmental funds on page 13 of the audit report and in the statement of revenues, expenses, and changes in net position – proprietary funds on page 16 of the audit report:

Total intergovernmental – indirect federal from page 13	\$	2,433,621
Total federal grants from page 16		1,510,923
Donated commodities from page 16		183,367
Plus: Amount of federal codes coded as a negative expenditure		188
Less: Amount of federal funds received as services, such as Medicaid		<u>(164,784)</u>
Total on page 48	\$	<u>3,963,315</u>

## **REPORTS REQUIRED BY THE SINGLE AUDIT ACT**

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Benton, KY 42025

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# KIM HAM

## CERTIFIED PUBLIC ACCOUNTANT

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MEMBER,  
American Institute  
of CPA's

♦  
MEMBER,  
Kentucky Society  
of CPA's

### **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Kentucky State Committee for School District Audits  
and Members of the Board of Education  
Marshall County School District  
Benton, Kentucky

I have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the provisions of *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the Kentucky Public School Districts' Independent Auditor's Contract, including *Appendix I to the Independent Auditor's Contract – Audit Extension Request* and *Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Report*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Marshall County School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Marshall County School District's basic financial statements, and have issued my report thereon dated October 30, 2014.

#### **Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered Marshall County School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Marshall County School District's internal control. Accordingly, I do not express an opinion on the effectiveness of the Marshall County School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Marshall County School District's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. In addition, the results of my tests disclosed no instances of material noncompliance of specific state statutes or regulations identified in the *Kentucky Public School District's Independent Auditor's Contract*.

I noted certain matters that I reported to management of the Marshall County School District in a separate letter dated October 30, 2014.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in dark ink, appearing to read "Kim Ham". The signature is written in a cursive, somewhat stylized font.

Benton, Kentucky  
October 30, 2014

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**KIM HAM**  
**CERTIFIED PUBLIC ACCOUNTANT**

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MEMBER,  
American Institute  
of CPAs

MEMBER,  
Kentucky Society  
of CPAs

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Kentucky State Committee for School District Audits  
and Members of the Board of Education  
Marshall County School District  
Benton, Kentucky

**Report on Compliance for Each Major Federal Program**

I have audited the Marshall County School District's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Marshall County School District's major federal programs for the year ended June 30, 2014. Marshall County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

My responsibility is to express an opinion on compliance for each of the Marshall County School District's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the Kentucky Public School Districts' Independent Auditor's Contract, including *Appendix I to the Independent Auditor's Contract – Audit Extension Request*, and *Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Report*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Marshall County School District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of the Marshall County School District's compliance.

***Opinion on Each Major Federal Program***

In my opinion, Marshall County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.



## Report on Internal Control Over Compliance

Management of Marshall County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered Marshall County School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Marshall County School District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Benton, Kentucky  
October 30, 2014

**MARSHALL COUNTY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2014**

**I. SUMMARY OF AUDITOR'S RESULTS:**

1. The auditor's report expresses an unmodified opinion on the financial statements of the Marshall County School District.
2. No significant deficiencies in internal control over financial reporting were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Marshall County School District were disclosed during the audit.
4. No significant deficiencies in internal control over the major federal award programs were disclosed during the audit.
5. The auditor's report on compliance for the major federal award programs for Marshall County School District expresses an unmodified opinion on all major federal programs.
6. There were no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 relative to the major federal award programs for Marshall County School District.
7. The programs tested as major programs included:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Title I, Part A Cluster:	
Title I Grants to Local Educational Agencies	84.010
Child Nutrition Cluster:	
National School Lunch Program	10.555
School Breakfast Program	10.553

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Marshall County School District qualified to be a low-risk auditee.

**II. FINDINGS – FINANCIAL STATEMENT AUDIT**

There were no findings in the current year required to be reported in this schedule.

**III. FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

There were no findings in the current year required to be reported in this schedule.

**MARSHALL COUNTY SCHOOL DISTRICT  
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
June 30, 2014**

**I. FINDINGS – FINANCIAL STATEMENT AUDIT**

There were no findings in the prior year required to be reported in this schedule.

**II. FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

There were no findings in the prior year required to be reported in this schedule.

## **MANAGEMENT LETTER POINTS**

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**KIM HAM**  
**CERTIFIED PUBLIC ACCOUNTANT**

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**MEMBER,**  
*American Institute  
of CPAs*

♦  
**MEMBER,**  
*Kentucky Society  
of CPAs*

Kentucky State Committee for School District Audits  
and Members of the Board of Education of  
Marshall County School District  
Benton, Kentucky

I have audited the financial statements of the Marshall County School District for the year ended June 30, 2014, and have issued my report thereon dated October 30, 2014. In planning and performing my audit of the financial statements of Marshall County School District, I considered the District's internal control to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control.

However, during my audit, I became aware of several matters that are opportunities for strengthening internal controls or operating efficiency. These comments and recommendations have been discussed with the appropriate members of management and are intended to help the District comply with applicable laws and regulations, improve the internal control, or result in other operational efficiencies. These comments are summarized on the following pages.

This report is intended solely for the Board, management, and others within the organization as deemed appropriate.

Respectfully,

Benton, Kentucky  
October 30, 2014

**MARSHALL COUNTY SCHOOL DISTRICT  
MANAGEMENT LETTER COMMENTS**

June 30, 2014

**UNCORRECTED PRIOR YEAR COMMENTS**

Calvert City Elementary – When comparing receipts from a “spirit card” fundraiser in the prior year, we noted that 800 cards were purchased, with a refund received for 60 cards, indicating that 740 cards were sold. Based on the selling price of \$10, \$7,400 should have been collected. Only \$6,930 was deposited, resulting in a shortage of \$470. No fundraiser worksheet was used to account for the funds and unsold cards were not accounted for. As discussed in the current year comments, we again noted that fundraiser worksheets were not used at the completion of the fundraiser during FY 14; however, we were provided a copy of the fundraiser worksheet for FY 15, which appeared to be properly completed.

Sharpe Elementary – In the prior year, we noted the deposit for three cash receipt tickets were made five to seven days after the funds were received. As noted in the current year comments, several cash receipts were again not deposited in a timely manner.

North Marshall Middle – In our test of inventory control procedures in the prior year, we noted that the forms are not being properly completed. One concession worksheet listed total deliveries and total collections, with no individual amounts listed in order to trace to the source. Three worksheets listed deliveries of pizza or candy, but no collections were listed. Another worksheet listed deliveries of popcorn and drinks of \$1,116.00, with collections of \$1,642.31, with no beginning or ending inventory listed and no explanation for the overage. As noted in the current year comments, these forms are still not being correctly completed.

**CORRECTED PRIOR YEAR COMMENTS**

Benton Elementary – In the prior year, we noted one disbursement that should have had a standard invoice signed by the payee and another disbursement for meals without an itemized receipt. In the current year, standard invoices were obtained when required and detailed receipts were obtained for all tested. Also in the prior year, the Summer Reading activity fund ended the year with a deficit balance. In the current year, there were no funds that ended with a deficit. When examining documentation for cash receipts in the prior year, we noted two instances where a copy of the multiple receipt form was not retained by the treasurer and one multiple receipt form that was not signed by the person remitting the funds. In the current year, we noted proper use of the multiple receipt forms. Also in the prior year, while searching for accounts receivable after year end, it was noted that approximately \$900 deposited during August 2013 was noted as being “found” with documentation showing that the money was received during April and May. In our test of receipts in the current year, deposits were made on a timely basis.

Calvert City Elementary – In the prior year, we noted five instances where the multiple receipt form was not signed by the students or other individuals turning in the money. In the current year, we noted after the date we discussed the proper use of the form with the treasurer, the forms were used properly. Also in the prior year during our search for accounts receivable after year end, it was noted that approximately \$500 was deposited during August 2013 although the checks deposited were dated from March through May. In our test of receipts in the current year, deposits were made on a timely basis. Also in the prior year while examining documentation for disbursements, we noted two reimbursements to individuals that were supported by receipts showing the amount reimbursed, but no F-SA-9 form was used. In the current year, an alternative to the standard invoice was used that contained the same information and disbursements were properly documented.

**MARSHALL COUNTY SCHOOL DISTRICT  
MANAGEMENT LETTER COMMENTS**

June 30, 2014

**CORRECTED PRIOR YEAR COMMENTS (Continued)**

Central Elementary – In our test of cash receipt tickets in the prior year, we noted one ticket number that was not on the sequential list of receipts, but we did not locate a void ticket in the file. We also noted several that had the printed number changed on the form and two ticket numbers that were printed on plain paper and were marked “duplicate”. We also noted that one multiple receipt form for cash donations listed a total only and was not signed by the employees who paid money to wear jeans. We also noted one deposit that was made nine days before the date on the receipt ticket and another that was three days before the date on the receipt ticket. In the current year, proper documentation was retained for all receipt tickets tested and deposits were made within the required time frame. In our test of disbursements in the prior year, we noted two checks that were signed by the treasurer only. In the current year test of disbursements, all checks had two signatures. We also noted three disbursements in the prior year to students for which the standard invoice was not signed. In the current year, we noted proper signatures on all standard invoices included in our test.

Jonathan Elementary – In the prior year, we noted that although snacks are donated and sold in each classroom, inventory control worksheets were not always used to document the items received and sold. In the current year, only one class sold snacks and proper documentation was retained. In our test of cash receipt tickets in the prior year, we noted one multiple receipt form that was used to list totals from three different sources, a donation, a car wash, and a chili supper. No other documentation was retained. In the current year, multiple receipt forms were correctly used.

Sharpe Elementary – In a test of cash receipts in the prior year, we noted that four multiple receipt forms were not signed by the treasurer. The multiple receipt form for one receipt listed only \$80, while the cash receipt ticket listed \$201.50. Two concession sales forms were not signed by the person remitting the money. One cash receipt ticket was marked as void in the file for one amount, while the amount deposited was printed on a blank sheet of paper marked as “duplicate” for a different amount than the original receipt. In the current year, we noted proper supporting documentation for cash receipts. In a test of disbursements in the prior year, we noted that four purchase orders were not dated, one was for a field trip and was dated the same date as the trip, two were dated after the date on the invoice, three were not signed, and one was for a credit card payment and was dated the same date as the check. In the current year, we noted purchase orders were approved in advance of the purchase.

South Marshall Elementary – In a random test of cash receipts in the prior year, we noted that four multiple receipt forms were not signed or dated by the treasurer. We also noted that three other multiple receipt forms were not being used properly. In the current year, the multiple receipt forms were properly completed. In a random test of disbursements in the prior year, two checks tested were payments on a credit card for which detail receipts were missing. We also noted two reimbursements to individuals that were supported by receipts showing the amount reimbursed; however, form F-SA-9 was not used to obtain the signature of the person being reimbursed. In the current year test of disbursements, we noted detail receipts for credit card purchases and proper use of form F-SA-9.

Benton Middle – In a random test of disbursements in the prior year, we noted one payment that was more than the invoice. This was also a charge on a credit card, for which the credit card sign-out sheet was not used. In the current year, payments matched supporting documentation and credit cards were signed out properly.

North Middle – In our test of cash receipt tickets in the prior year, we noted that the documentation for fees collected included only copies of checks received and no documentation for the cash that was received. We also noted several receipts that were not deposited in a timely manner. In the current year, we noted proper supporting documentation for receipts and that funds were deposited in a timely manner. In the prior year, no purchase orders were included in the files that we examined. In the current year, we noted that purchase orders were properly completed.

**MARSHALL COUNTY SCHOOL DISTRICT  
MANAGEMENT LETTER COMMENTS**

June 30, 2014

**CORRECTED PRIOR YEAR COMMENTS (Continued)**

South Middle – In a test of cash receipt tickets in the prior year, we noted two that were not supported by documentation such as a multiple receipt form or copies of checks. In the current year, we noted proper supporting documentation for all receipts selected for testing. In the prior year, purchase orders were rarely used. In the current year, we noted purchase orders for all disbursements selected for testing. Also, in a test of disbursements in the prior year, we noted one payment on a credit card, which was only supported by a copy of the credit card statement. In the current year, we noted proper supporting documentation for all credit card payments.

Marshall County Technical Center – In a random test of receipts in the prior year, we noted one multiple receipt form that was not signed by the teacher who remitted the funds. In the current year, we noted multiple receipt forms that were selected for testing were all signed by the persons remitting the funds. In a random test of disbursements in the prior year, we noted one payment that was on a credit card, for which the credit card sign-out sheet was not used. In the current year, we noted the sign-out sheet was used for all credit card purchases tested.

**CURRENT YEAR COMMENTS**

**Benton Elementary**

***Cash Disbursements Procedures:*** When testing a random sample of disbursements, we noted purchase orders were not used on several disbursements. Purchasing procedure #5 in the Red Book states "Use the district's purchasing procedures to make any school activity fund purchase. Use requisitions if required by the district, but always use a Purchase Order (Form F-SA-7) to initiate a purchase, including for independent contractors and reimbursements to district employees. The purchase order shall be prepared and approved by the sponsor and principal before the payment is obligated." Teachers and other personnel should be reminded that purchase orders are required prior to placing an order for merchandise or services.

***Management's Response:*** On opening day for teachers in August 2014, the principal reminded all employees verbally and through the school handbook that purchase orders are required to be used.

**Calvert City Elementary**

***Fundraiser Procedures:*** When comparing receipts from a "spirit card" fundraiser, we noted that 550 cards were purchased. Based on the selling price of \$10, \$5,500 should have been collected. Only \$5,060 was deposited, resulting in a shortage of \$440. We recommend the use of a fundraiser worksheet, form F-SA-2B to account for each fundraiser. If there were cards that were unsold, they should be accounted for and, if possible, returned to the vendor for a refund.

***Management's Response:*** We were able to send back the unsold cards for a full refund. The fundraiser worksheet, form F-SA-2B, has been completed to account for each sold and unsold item for this fundraiser that was held from August 11, 2014 through September 4, 2014.



**MARSHALL COUNTY SCHOOL DISTRICT  
MANAGEMENT LETTER COMMENTS  
June 30, 2014**

**CURRENT YEAR COMMENTS (Continued)**

**Sharpe Elementary**

***Cash Receipts Procedures:*** The deposits for 14 of 25 cash receipt tickets tested were made two to thirteen days after the funds were received. Deposits should be made by the next business day when more than \$100 is on hand.

***Management's Response:*** We now have a night deposit key that we didn't have in the past that has helped if we can't get there by closing.

**South Marshall Elementary**

***Fundraisers:*** When reviewing disbursements for fundraisers, we noted a check written to a teacher, who is an Avon representative, for \$1,700 with the notation "Avon deposit money". There was no invoice from Avon and the only documentation on file was an email that asked for prepayment of this amount. The receipts that were deposited for the fundraiser was \$2,619.96. There was no indication on any paperwork as to the percentage of sales that the school would earn. The teacher indicated that nothing extra was owed on the initial prepayment, but did not present any paperwork to reconcile the amounts collected with the amount prepaid. We recommend that proper documentation be obtained for all future fundraisers.

***Management's Response:*** In the future, red book procedures will be followed and more detailed documentation collected and retained to substantiate fundraising activity.

**North Marshall Middle**

***Inventory Control Procedures:*** In our test of inventory control procedures, we again noted that the forms are not being properly completed. Fund raiser worksheets (form F-SA-2B) were used instead of using the inventory control worksheet (form F-SA-5). Although the fund raiser worksheet can be adapted to be used to account for inventory, the information on the forms was not sufficient to calculate overages or shortages. The products that were purchased were listed at the actual cost instead of at the selling price that should be collected. We recommend that the forms be reviewed to determine the proper way to complete them so that information is accurate.

***Management's Response:*** Inventory control worksheet (form F-SA-5) will now be used and reviewed to ensure proper completion.